STRATEGIC ANALYSIS
A strategic analysis of the South China Sea territorial issues

Introduction

According to projections from the Asian Development Bank, gross domestic products (GDP) in Asia will expand by 5.7% during 2016-2017, and this region will contribute around 60% of global growth in the next 2 years, close to its contribution in the past 5 years.¹ The Pacific and Indian Ocean region is likely to represent a driving force within the global economy, with maritime trade and security a vital factor for countries within the region. Coincident with this, China has become the world’s second largest economy and will be a vital contributor to global economic stability.² Set against this context, the instability currently manifesting itself in the South China Sea is a concerning challenge to regional stability, security and prosperity.

This contest is typified by the existence of the “nine-dash line”, defined on maps published by China to delineate borders in the South China Sea. This Chinese definition is at odds with the maritime boundaries also claimed by the South Eastern Asia neighbours. The US has released an Asia/Pacific Maritime Security Strategy, which attempts to counter regional instability.³ In more practical, demonstrable, measures, Washington has deployed US Navy vessels to exercise the right to navigate within waters claimed by China.⁴

In the meantime, there have been several incidents in the region including collisions between Vietnam’s fishing vessels and China’s coast guard ships,⁵ as well as the construction of Chinese People’s Liberation Army (PLA) installations and the development of an artificial islands and airfields within the disputed territory.⁶

This essay seeks to provide a grand strategic analysis of the current tensions in the South China Sea. The essay will set out an analysis of Chinese strategic intent and provide an overview of how China is shaping her narrative towards the region. The essay will then articulate the current US policy of containment. Finally, the paper will contend that the current approach is faltering and will prescribe an alternative strategy that serves to protect enduring stability, security and prosperity within the region.

Chinese Strategy

Ends

² Ibid. p16.
For China, sovereignty claims within the South China Sea are seen as being of 'core national interest'. Such a stark description indicates that China will not tolerate counter territorial claims and might credibly use force to defend her sovereignty claims.

China’s strategic ends in the South China Sea can be divided into two categories, economic and military. By controlling a large proportion of the South China Sea, China will be able to achieve the following:

**Economic:**

It is estimated that the South China Sea may contain one-hundred and five billion barrels of hydrocarbon reserves. Therefore, whoever controls and achieves sovereignty over the islands, reefs and waters of the South China Sea, will have access to these huge energy reserves. Moreover, the Strait of Malacca is the shortest sea route between African and Persian Gulf suppliers and Asian consumers. For these reasons, it is critical for China’s future energy security, to have uncontested access to such hydrocarbon reserves and other resources. China’s economic growth means that it has become the second largest consumer of oil in the world and the demand of energy in China is expected to increase still further over the coming decades.

- Around eighty percent of China’s oil imports, as well as a significant amount of its trade, pass through the South China Sea. Therefore, China’s control over the region will enable this maritime trade to pass to mainland China unfettered.

- The South China Sea accounts for a very significant proportion of China’s annual fishing requirements. Thus, it is critical to China’s food security policy, to maintain unchallenged access to such source of protein.

**Military:**

The South China Sea is a buffer-zone for the southern Chinese mainland. China’s control of the region will allow it to create a military barrier from which it can challenge any future military threat. For example, any trade blockade, by any state or a coalition of states, against China could only be achieved through dominance of the South China Sea.

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China’s control of territory in the region will allow it to establish and develop military bases from which it can project against any regional and external rivals such as the US. This is particularly important regarding States that have been contesting Chinese territorial claims over the South China Sea.

A significant Chinese military presence in the South China Sea, with clearly defined military capability, has the role of denying access to the area to potential adversaries and will discourage future military activity aimed towards China. Thus it can be seen that deterrence is a key military *End* in Chinese Strategy in the South China Sea.

**Ways**

China has adapted the following *Ways* in pursuit of its strategic ends in the South China Sea:

- The modernisation and expansion of the PLA, in particular, the PLA Navy, as well as the development and expansion in capacity of other paramilitary forces.

- China has avoided a multilateral approach, instead focussing on bilateral negotiation and dialogue when managing the disputed territories and water in the South China Sea.\(^\text{12}\)

- China has attempted to drive the region to be more economically integrated, with the overwhelming geo-economic power of China at the centre of these expanding and over-lapping trade networks.\(^\text{13}\)

- The creation of the nine-dash line, as the historical basis of its sovereignty claims in the South China, as a means of coercing other competing claimants to accept these Beijing-mandated boundaries.\(^\text{14}\)

**Means**

China is using diplomatic, military, and economic *Means* to achieve her strategic *Ends* in the South China Sea.

**Diplomacy**

14. David, *China’s curious South China Sea*. 
Beijing has employed her diplomatic might in the South China Sea to achieve its strategic aspirations. It has actively constrained the discussion over the disputed territories in the South China Sea within a bilateral framework and avoids multilateral dialogue. Such an approach has been heavily influenced by the fact that it would be problematic for China to combat the full spectrum of countries that have overlapping territorial claims. Thus, the Chinese have always highlighted the fact that such territorial disputes will be better managed and more effectively resolved bilaterally and that such discussion is inappropriate for debate amongst regional organisations such as the ASEAN Regional Forum or the ASEAN Summit.15

China has also focused on discouraging other regional claimants from involving external actors in negotiation over the disputed territories. For example, ASEAN nations have been repeatedly warned by the Chinese government against inviting the US to contribute to discussions over the territorial disputes. For instance, in 2010 and 2012, both former Chinese Ambassadors to the Philippines warned that any attempts by Manila to involve the US in the bilateral sovereignty disputes between China and the Philippines would result in a situation that neither country would like to see.16 The Chinese diplomatic message to regional countries planning to involve the US in discussions over the disputed water and territories in the South China Sea is clear; US involvement is only going to make the matter more complicated and is therefore unwise.

Military

China is clearly aware of the fact that, in order to pursue and achieve its strategic ambition in the South China Sea, it is critical to have a modern and capable military. Thus, the Chinese military has enjoyed nearly continuous double-digit growth in defence spending.17 This massive increase in military modernisation and expansion has in large part focused on the PLA Navy.18 This increase and modernisation of maritime capability is not surprising given the pre-eminence of maritime security in the region. The Prioritisation of naval development has required a shift from a traditionally land-centric force which has been the historical dominant feature of the Chinese military. It has also meant that the Chinese have had to shift the focus from littoral operations to far more ambitious blue water capabilities. This expansion and the modernisation of maritime capabilities has been fed by both indigenous

15 Sarah, Regional Disorder, p60.
16 Ibid, p63.
17 Katie Hunt, China to narrow gap with U.S. by increasing military spending, CNN, (March 5, 2015), http://edition.cnn.com/2015/03/05/asia/china-military-spending/, (Accessed August 26, 2016)
18 Ibid.
and external equipment suppliers and encompassed most traditional elements such as: destroyers, frigates, corvettes, amphibious assault vessels, fast attack craft and submarines in addition to an aircraft-carrier programme, together with the construction of naval bases and associated infrastructure.

The Chinese have also invested heavily in developing their deterrence capacity, mainly concentrating on anti-ship missiles and radar technology, intelligence gathering capability, anti-area access denial capability, anti-submarine warfare, anti-satellite weapons, and anti-ship ballistic missiles focussing on ‘Carrier- Kill’. It could be argued that the Chinese have been successful in deterring other regional competitors as none of these countries has ever seriously military challenged China within the region. China’s deterrence posture has also been successful in making the United States politicians and military planners preoccupied by the reality that they might not be able again to navigate these waters without being dangerously exposed and vulnerable to Chinese maritime power.

In order to avoid any direct military confrontation with any of its rivals in the South China Sea, China has wisely developed an expansive fleet of paramilitary forces backed by the military when necessary. The Chinese have invested enormously in increasing and developing such forces. For example, the Chinese Maritime Police, the Maritime Safety Administration and the Fisheries Law Enforcement Command are all paramilitary forces that are in the frontline when it comes to South China Sea disputes and China’s sovereignty claims. They are well organized and centrally controlled, using tactics such as intimidation and harassment against civil or military elements owned or employed by other rival claimants. The Chinese authorities have been developing and expanding reefs and small islands in the disputed territories to become military bases and airstrips that could be used for military purposes in the future, ignoring regional and international demand to stop such activities and precipitating a race by other regional countries to do the same within their territory.

**Economic**

China’s military might and her aggressive diplomatic stance are not the only national levers that China can employ when it comes to dealing with the South China Sea disputes. The Chinese economic rise and its massive growth in trade with the countries in the region mean that China can use its economic influence to complement her diplomatic efforts. The ASEAN–China Free Trade Area is the largest free trade area in terms of population and third largest in terms of nominal GDP. China’s bilateral trade with ASEAN members rose by six-
hundred and forty percent during the first decade of the twenty-first century.\textsuperscript{19} Thus, China has utilized its economic ties and trade as an effective tool for her foreign policy and diplomacy, in what could be termed China's economic leverage.

China has also increased her investment and trades with the countries in the region to a level that such aid and investment could be used as both punishment and reward or as a bargaining chip when it comes to dealing with South China Sea territorial disputes. For example, Beijing has showed willingness and the capacity to use her economic leverage for political \textit{Ends} to address South China Sea arguments. When the disputes between China and the Philippines reached an elevated level over one of the disputed reefs, China imposed restrictions on the import of fruit goods from the Philippines. Such a move was very shrewd by the Chinese as, for instance, bananas are the Philippines second-largest agricultural export.\textsuperscript{20} Furthermore, the Chinese imposed the cancelation of Chinese tourist groups to the Philippines.\textsuperscript{21} This clearly illustrates that China will not hesitate to leverage its economic power when seeking to achieve her political \textit{Ends} over disputes within the South China Sea.

Recently China has gone still further in using her economic leverages when managing the disputes in the South China Sea. For instance, over 2006/07, China issued eighteen diplomatic objections to foreign oil companies working with Vietnam in exploration and development projects in the South China Sea.\textsuperscript{22} It also used its paramilitary forces to harass and intimidate these foreign oil companies. Conversely, China opened the door for international tenders, through its national oil companies, to carry out exploration activities in the South China Sea most controversially in the Vietnamese Exclusive Economic Zone.

\textbf{China's realist approach}

In applying a synchronised approach to \textit{Ends, Ways} and \textit{Means}, China has demonstrated a clear manipulation of her near geopolitical sphere. However, arguably she has one weakness namely her disinclination to adhere to international convention. Perhaps, the most compelling element of the International System that could conceivably have some bearing is the application of the International Law specifically where it pertains to international boundaries.

\textsuperscript{20} Sarah, \textit{Regional Disorder}, p73.
\textsuperscript{21} Ibid, p73.
\textsuperscript{22} Ibid, p75.
Analysis of US Rebalance Strategy

Following World War II, the US established near total dominance over the western Pacific and Indian Ocean regions, thereby assuming the role as the sole protector and guarantor of the regions sea lanes and rule based system associated with the global common. This US control secured US core interests of access and stability in the region and also the South China Sea.

In the past decade, China has demonstrated aggressive and coercive policies in the South China Sea to include, the increased pace of island building, construction and deployment of military facilities and capabilities. While the pivot/rebalance strategy announced by US in 2010 attempts to revive US alliances in Asia and redistribute additional military forces and capacities to the region.

Ends

The Asia Pacific rebalance strategy raised the regions priority in US military planning, foreign policy and economic policy. The ultimate goal is to promote US interests by helping to shape the norms and rules of the region and to ensure that international law and norms be respected. It also seeks to ensure that commerce and freedom of navigation are not impeded, that emerging powers build trust with neighbours and disagreements are resolved peacefully without coercion. Given that China has already established itself as a power in the region, the Ends realistically being sought by the US are to act to prevent any single power and China in the current situation, from becoming hegemonic in the region and preferably content with the maintenance of the status quo.

The Ends promote a policy of co-engagement between major players within the region. Their fulfilment requires the employment of a combination of hard and soft levers of power, subtlety and accommodation. In the case of the South China Sea, the US will continue to ensure that its core interest of access and stability are not threatened and will continue to be unwilling to be involved in the question of sovereign jurisdiction over South China Sea.

Ways

23 Robert Kaplan, Monsoon (Random House), p285
27 Andy James , The Impact of US Rebalancing on Balance of Power in Asia Pacific.
The strategy envisages the deployment of hard and soft levers of power to include diplomatic, military and economic means to maintain the status quo. The ways adopted are:

- Strengthening allies, partner capability, capacity, resilience and interoperability.
- Sustain and expand US military presence and the continued demonstration of freedom of navigation in the South China Sea.
- Reduce the regions dependence on the Chinese economy by implementation of TPP.
- Seek the support of allies and regional organisations in upholding laws with respect to global commons and promote international arbitration for the resolution of disputes.

**Means**

**Diplomacy**

The US has supported a hub and spoke approach to alliances in the region in contrast to collective security alliances represented by NATO in Europe. Consequently, the allies will continue to show no appetite for collective security arrangements and thus the US will have to continue to support small allies against coercion.

Among its treaty allies, only the Philippines are directly affected by China’s territorial claims in the South China seas. The bi-lateral agreement signed in 2014 is central to the Philippines’ security and also gives access to the US to over eight bases in the country. The US is developing greater engagement with countries in the South China Sea particularly, Taiwan, Indonesia and Vietnam and has upgraded relations with these countries to critical partner status.

**Military**

The Chinese Anti Access and Area Denial (A2/AD) capabilities seek to keep the US out of the region when China desires. They increase risk to US installations and forward operating

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28 CSIS Report, p50  
29 Ibid, p78
bases in the Western Pacific and to the freedom of access to international airspace and waters on which the US economy depends.

In response the US has developed the Air-Sea Battle Concept, Joint Operational Access Concept and Joint Concept for Access and Manoeuvre which are applicable to a confrontation with a highly capable adversary like China. The implementation of these concepts is slow and hence insufficient to keep up with China’s A2/AD threats. The US military strategy will be based on dispersed bases in the region which it diplomatically obtains and its asymmetric advantage in underwater capabilities, thereby negating the Chinese A2/AD strategy.

Economic

The US seeks to bring together countries in the region into a single trading community of gold standard under the TPP which excludes China. The TPP is considered a strategic instrument to isolate or contain China.

The TPP represents the spirit for compliance to international norms such as Government procurement standards etc. The exclusion of China prevents it from enjoying new tariff reductions and preferential market access. China to sustain its military and geo-political influence would require at least another 30 years of sustained growth.

Synchronisation of Ends, Ways and Means

The rebalance is designed to assure allies that the US will enforce the “rules of the road”. The strategy appears incoherent given that China has already risen and it does not display any inclination to follow and promote normative rules of law. Containing China by employing hard and soft levers of power, risk conflict which the US may be reluctant to undertake. Coincident with this, China recognises that she presently exists in a period of strategic opportunity to establish herself as a great power.

A proposed Global Strategy for Resolution of Disputes in the South China Sea

30 CSIS Report, p116
31 NDC Journal, US Rebalance to Asia Pacific, (January 2016), p194
32 C Coker : The Improbable War (Hurst & Co), (August 2014), p149
Having established the key factors that impact on security, stability and prosperity in the South China Sea region, this paper will now set out a blend of proposals that seeks to contain the outbreak of future conflict. Thus, an analysis of the conflict and competition in the South China Sea, from the Chinese, regional and international perspective, leads us to the following key judgements:

**China**

The South China Sea is of great strategic importance to China for economic and power/influence reasons. China has assumed an aggressive posture to include articulation of its sovereignty based on historical claims and has developed military and economic facilities on these disputed or reclaimed territories. China is unlikely to pull back from its present position unilaterally. It will seek to achieve total dominance and a regional hegemonic position to include the South China Sea being a ‘Beijing Lake’ similar in concept to the Gulf of Mexico or the Caribbean.

China will pursue its dominance by coercion of its smaller neighbours coupled with a regional strategy to include economic co-operation with the countries through its ‘One belt, One Road’ initiatives. China will develop military capabilities to deter any other country or alliances from challenging her position on the issue, while simultaneously engaging and developing interdependences with such countries making the risk of conflict less likely.

**US**

The US will seek to build new alliances and further strengthen capabilities of existing regional allies to limit China’s maritime influence. She will pursue activities to ensure her access and freedom of navigation in the South China Sea. She will avoid becoming involved in territorial claims and disputes between countries of the region, preferring the ‘status quo’.

The US will redistribute her military power to include the introduction of new capabilities to strengthen her assets in the Pacific Command area of responsibility. She will further strengthen the capabilities of her allies and continue to dominate the Western Pacific and Indian Ocean by increasing her presence in the first island chain, while also bolstering her bases along the second island chain. She will also retain a degree of control of the choke points into the Indian Ocean.

The US will seek to balance China’s overwhelming economic dominance by pursuing the implementation of the TPP. Simultaneously, she will pursue cooperative relations with China in order to promote her adherence to normative rules and by developing the idea of cooperation within the international system.
Proposed End State

A strategy led by the US, with regional backing, to modify China’s aggressive behaviour in the South China Sea may risk conflict with uncertain outcomes. Thus it is proposed that a global, multipronged, strategy be adopted to achieve the following end state:

‘Free from the risk of conflict between major global and regional powers, ensure the freedom of access and navigation, both on sea and air, over the South China Sea, and in so doing, ensure adherence to UNCLOS by all parties with resolution of disputes through arbitration’.

Ends
The Ends are a peaceful resolution of disputes in the South China Sea without acquiescence to China’s historical claims.

Ways
The global strategy envisages the synchronous application of hard and soft levers of power to include international diplomacy, economic measures and strategic communications. This strategy identifies that embargoes, sanctions, containment or military force will only exacerbate the dispute. The proposed Ways to be adopted are:

• Global support for adherence to laws and international norms and the resolution of disputes through arbitration.
• To link Chinese participation in the global economy to adherence to international law.
• To promote understanding amongst the Chinese population on the advantages of adherence to international law.
• To continue to promote democracy and the rule of law in China.

Means
International

• The Unites Nations, regional groupings like the European Union, African Union and ASEAN should reaffirm the need for all nations to adhere to international treaties such as
UNCLOS, and promote the resolution of disputes by arbitration rather than coercion. These organizations should combine to state their position on the dispute unequivocally.

• Regional groupings should establish the necessary mechanisms to monitor Chinese aggression in the South China Sea and be the forum to facilitate resolutions.

• To encourage Chinese participation in global maritime challenges.

**Economic**

• Seek opportunities to reduce regional economic interdependence on China through greater global participation. The WTO, and other global economic forums like the IMF and the World Bank should reemphasize the necessity for adherence to international law and arbitration.

• Countries participating in Chinese-led economic initiatives like the Asia Infrastructure Investment Bank and the Silk Road initiative must insist on Chinese adherence to International Law as a precursor to full engagement.

**Strategic Communications**

• The formulation of a Strategic Communications strategy to influence the Chinese population regarding the benefits of international cooperation in order to de-couple Chinese nationalism from the South China Sea dispute.

**Military**

• Militarily strengthen global and regional powers and alliances that border the main sea lines of communication upon which China’s economy depends.

• Countries in the region should attempt to build military relationships developing interoperability and including freedom of navigation exercises in the Indian Ocean and South China Seas to complement such activity conducted by the US Navy.
Conclusion

China’s continued desire to influence activity in the South China Sea provides a challenge to regional stability, security and prosperity. Given the importance of the region to the global economy, instability in the South China Sea can be seen to have an impact that has global consequence. The spectra of armed conflict could have a devastating impact on the region and, were the two most powerful economies in the world to be embroiled, the outcome could be of very serious and enduring global consequence.

Despite broad regional condemnation, China has continued to pursue an aggressive and expansionist policy in the region and her actions in the South China Sea have, perhaps, typified her approach which is one of core national interest coupled with a reluctance to accept the positions clearly adopted by other countries in the region. This has been exacerbated by China’s demonstrable reluctance to adhere to International Law particularly that detailed within UNCLOS. In what this paper argues is a provisional solution, the US has acted as guarantor to regional stability providing a military umbrella which does not offer an enduring resolution to the problem, and indeed risks rapid escalation particularly in the wake of any military miscalculation.

Recognising that the current strategy lacks coherency and unity of effort, the paper then sets out an alternative, collegiate and blended approach. The core of this strategy is based on the need to compel China to accept the rules based international system. The strategy seeks to avoid threatening Chinese sovereignty but re-emphasises the validity of International Law and the application of rules based convention.
Sarah Raine and Christian Le Miere, Regional Disorder: the South China Sea Dispute, The International Institution for Strategic Studies (The United Kingdom, London: Routledge 2013)


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