South China Sea Dispute: Causes and Solutions
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The South China Sea encompasses a portion of the Pacific Ocean stretching roughly from Singapore and the Strait of Malacca in the southwest, to the Taiwan Strait in the northeast. The waters of the South China Sea are among the world’s busiest shipping lanes, with more than half of the world's supertanker traffic passing through the region each year. In addition, the South China Sea region potentially contains a significant quantity of oil and gas resources strategically located near large energy-consuming countries, as well as an abundance of fish. China, Taiwan, Indonesia, the Philippines, Vietnam, Malaysia, and Brunei have territorial claims over parts or all of the South China Sea.

Tensions have periodically flared in the waters of the South China Sea. Skirmishes between China and Vietnam took place in 1974 and 1988. In the mid-1990s, there was a row between China and the Philippines when the Chinese built structures on Mischief Reef, a land feature located 150 miles west of Palawan, the Philippines’ nearest land mass. Friction among the claimants abated in the early 2000s, primarily as a consequence of Beijing’s shift away from intimidation to a policy aimed at reassuring its neighbors that China’s rise would be peaceful. The high watermark of cooperation was attained in 2002 when China and the members of the Association of South East Asian Nations (ASEAN) signed the Declaration on the Conduct of Parties in the South China Sea, which held out promise for the peaceful management of disputes and the pursuit of confidence-building measures and joint development of resources.

After less than a decade of relative quiescence, tensions reignited in 2007, with a marked increase in incidents involving fishing boats, Chinese demarches to foreign oil companies engaged in joint ventures with Vietnam to develop gas fields in Hanoi’s Exclusive Economic Zone (EEZ), the passage of a law by China’s National People’s Congress creating a city in Hainan province to administer China’s claims in the South China Sea, and the adoption of a new maritime strategy by Vietnam that prioritized development of South China Sea resources. Friction has ebbed and flowed since then, with a new round erupting in the spring of 2011 involving alleged Chinese intimidation of survey ships in a group of islets west of Palawan and in Vietnam’s EEZ.

Concern is growing in the region and beyond that intensifying competition could adversely affect stability, hamper regional cooperation, trigger a regional arms race, and in a worst case scenario, provoke a military conflict that could potentially escalate into a wider war. China’s increasingly assertive defense of its sovereignty and the vague nature and scope of its claims – which are based on initial discovery, historical records dating back to the Han dynasty (110 AD), effective occupation of the largest of the Spratly islands (Itu Aba or Taiping Dao) by Taiwan, and international law, and are depicted as a nine-dashed line that covers almost the entire South China Sea – often results in other
nations pointing the finger at Beijing as the sole provocateur in the disputes. Undoubtedly, China is partly responsible for escalating tensions, but China’s growing assertiveness is only one of a confluence of factors that explains why clashes are occurring with greater frequency.

Discussion of future prospects for the management of territorial disputes, joint resource development, and avoidance of military clashes in the South China Sea should be grounded in an understanding of the multitude of precipitating factors at play in this complex issue. This paper briefly discusses five key factors that are contributing to intensifying competition in the South China Sea issue: the deadline for submitting claims, domestic politics, economic and resource motivations, technological advancement, and regional security concerns. The paper then sets out some recommendations for ameliorating the dispute and creating favorable conditions for cooperation.

**Deadline for Submitting Claims**

The setting of a deadline of May 13, 2009 by the United Nations Commission on the Limits of the Continental Shelf (CLCS) for submission of claims by coastal states of extended continental shelf rights beyond 200 nautical miles, provided impetus for several South China Sea claimants to define their respective claims in order to protect their legal interests. Some claimant states also took steps to amend their national laws and practices and bring their claims into conformity with the United Nations Convention on the Law of the Sea (UNCLOS). States that viewed the submissions of countries as conflicting with their own claims submitted *Notes Verbale* to the UN Secretary General in defense of their legal claims. The CLCS is a body of scientists, not an arbitral tribunal or court. It is barred from considering a submission in cases where “a land or maritime dispute exists,” thus, many of the submissions will not be evaluated.

In its official submission to the UNCLOS secretariat, China, for the first time, presented a map detailing its claim of a U-shaped line encompassing 80 percent of the South China Sea.\(^1\) The U-shaped line is composed of nine dashes, some of which lie close to the coasts of Vietnam, Malaysia, and the Philippines. China’s submission and its *Notes Verbale* left its claims somewhat ambiguous, however. For example, in claiming sovereignty over the islands and their “adjacent waters,” China did not clearly indicate that it claims a 12 nm territorial sea measured from the low-water line of each island, which would make its claim consistent with UNCLOS. China also claimed that it has “sovereign rights and jurisdiction” in the “relevant waters,” but did not clarify whether this means it is claiming only a 200 nm EEZ measured from the baselines of islands that are capable of sustaining human habitation or economic life (as set out in Article 121 of

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\(^1\) China’s claim was first made by the the KMT government in October 1947 when it produced the “Location Map of the South China Sea Islands,” showing the position of the islands over which it considered to have undisputable sovereignty. A discontinuous, U-shaped line composed of 11-dashes was used to depict China’s claim. Two dashes were deleted in the Gulf of Tonkin in 1953 on the approval of Zhou Enlai. China dates its claim to the Qin dynasty (221-206 BC) when Chinese people discovered the islands. Li Guoqiang, “Claim over islands legitimate,” *China Daily*, July 22, 2011.
In April 2011, however, China followed up its 2009 *Note Verbale* with a more detailed version that included a new statement that: “the islands are entitled to a territorial sea, EEZ and continental shelf.” This suggests that China is beginning to clarify its claims and justify them under UNCLOS.

In advance of its submission, the Philippines amended its baselines law to bring its archipelagic baselines into conformity with the United Nations Convention on the Law of the Sea (UNCLOS). Manila’s claim included the Kalayaan Island Group and Scarborough Shoal, which provoked a protest from China. The Philippines only made a partial submission to the CLCS and reserved the right to make a submission in other areas. Brunei also made a partial submission. Malaysia and Vietnam made a joint submission for a portion of the continental shelf of the two nations extending into the South China Sea. The area covers the seabed resources of the southern part of the South China Sea which are also claimed by Brunei, China and the Philippines. Vietnam made a separate submission to the CLCS covering its continental shelf in the area north of its joint submission with Malaysia, which it maintained did not overlap with other nations’ claims. China and the Philippines filed *Notes Verbale* in response to Vietnam’s submission and to the joint submission by Malaysia and Vietnam stating that a maritime dispute exists.

The submissions and *Notes Verbale* increased attention to the South China Sea dispute by the claimants and the international community. The process has to some extent clarified the claims of each state. In the case of the ASEAN claimant states, their claims have been clarified in a manner that is consistent with UNCLOS and international law. China’s claims have also been clarified, but to a limited extent.

**Domestic Politics**

China is set to experience a major leadership turnover at the 18th Party Congress of the Chinese Communist Party in 2012. Current leaders, including President Hu Jintao, Premier Wen Jiabao, and Chairman of the National People’s Congress Wu Bangguo, are all expected to retire. The Politburo and its Standing Committee also will include a large number of new faces as incumbents step down. At this crucial time of leadership transition, hyper-nationalism in China is posing a challenge. The Communist Party-State has exploited nationalism to help restore the legitimacy of the Communist Party after the Tiananmen crackdown in 1989 and to unite the nation during its turbulent rise to great

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power status. The CCP has fostered nationalism to divert attention from social problems, economic inequality and political authoritarianism, thereby reducing popular pressure for the reforms necessary to transform China into a trustworthy neighbor. In the run up to the expected power transition in 2012, the Chinese leadership is especially risk averse and seeks to avoid being criticized for not adequately defending Chinese sovereignty and territorial integrity.

Anti-government protests erupted in Vietnam over the summer targeted at Chinese activities in the South China Sea. Anger centered on perceived violations of Vietnamese territorial waters and the treatment of Vietnamese fishermen by Chinese ships. There were also reports of a number of Chinese businesses being boycotted by Vietnamese. Whereas in the past Hanoi arrested and tried bloggers and activists for accusing the government of “losing the islands to China,” this year demonstrations were permitted for ten consecutive Sundays before the Vietnamese cracked down.5

In the Philippines, Benigno Aquino has allied with Akbayan, a party that serves as the left front for his administration. Under the leadership of one of its congressional representatives, Walden Bello, Akbayan introduced legislation, which was passed by the legislature, to rename the South China Sea as the West Philippine Sea in all official documents. On July 20, Bello led a delegation of four other representatives on an unprecedented tour of Pagasa Island in the disputed Spratly chain. After singing the national anthem and hoisting the Philippine flag, Bello gave a speech in which he warned other nations against steps to eject the Philippines from Pagasa, stating that “Filipinos ware willing to die for their soil.” Another party, Bayan Muna, has tried to avoid friction with China and sought to downplay tensions in the South China Sea, but nevertheless proposed that the Philippine government dispatch a flotilla of fisherman in small outrigger boats to the disputed islands as a demonstration of Philippine sovereignty.6

Economic and Resource Motivations

The focus of much attention regarding South China Sea resources has been on hydrocarbons, especially oil. In recent years, oil and gas prices have been boosted as demand, especially in Asia, has surged. According to U.S. Energy Information Administration’s forecasts, developing Asian countries’ oil consumption is expected to rise by 2.7 percent annually from about 14.8 million barrels per day (MMbbl/d) in 2004 to nearly 29.8 MMbbl/d by 2030. China is expected to account for almost half the growth.7

Oil reserve estimates for the entire South China Sea region vary greatly and none are reliable. One frequently-quoted Chinese estimate suggests potential oil resources as high as 213 billion barrels of oil (bbl). A 1993/1994 estimate by the U.S. Geological Survey estimated the sum total of discovered reserves and undiscovered resources in the offshore basins of the South China Sea at 28 billion bbl. Another Chinese estimate of the Paracel and Spratly Islands alone put potential deposits at 105 billion barrels. Natural gas reserves are estimated to total around 7,500 km³ (266 trillion cubic feet). In recent years, survey activity has increased and in some cases has produced significant findings. For example, the survey conducted in the Sampaguita gas field located inside Reed Bank by Forum Energy, a UK-based oil and gas company, on contract for the Philippine government, indicated the presence of 3.4 trillion cubic feet of gas.

Territorial disputes in the South China Sea became notably more contentious after a trilateral exploration of part of the area by China, the Philippines, and Vietnam in 2005. Subsequently exploration has continued unilaterally and some drilling has begun. As oil and gas companies expand their exploration work in the contested waters, tensions may well increase. According to the Chairman of Philex Mining Corp. of the Philippines, an energy company controlled by Philex plans to drill at least two wells and conduct more seismic surveys starting next year in a natural-gas prospect in the Reed Bank, one of the most-disputed areas in the South China Sea near the Philippines. Other companies, such as China National Offshore Oil Corp. (CNOOC), and Vietnam’s state-run Vietnam Oil & Gas Group, or Petrovietnam, are also ramping up surveying efforts in the South China Sea. Even though the Philex plan has not generated any direct protest from China, an editorial published by People’s Daily is quoted to have claimed that the recent construction work by Philippines troops on an island claimed by Manila as violation of the spirit of a preliminary agreement reached earlier this year to resolve disputes in the South China Sea. The editorial said, “China would not sit idly by while its territory is swallowed up by others… Were there to be a serious strategic miscalculation on this matter, the due consequences would have to be paid.”

In October, India’s ONGC Videsh Limited and the Vietnam Oil and Gas Group Petro Vietnam signed a three-year agreement on cooperation to explore for oil and gas in the South China Sea. The agreement covers the exchange of information on the petroleum industry, exchange of working visits by officials and specialists in various domains of the petroleum industry, new investments, expansion and operations of oil and gas, and joint efforts to establish an energy trading company in the South China Sea.

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8 I have not been able to locate the origin of this estimate, though it is widely cited.
gas exploration and production including refining, transportation and supply in Vietnam and India, as well as to third countries. OVL has been involved in oil and gas exploration in Vietnam since May 1988 and the recent accord marks an expansion of its role. After the signing of the latest accord, China’s party-owned Global Times, and the China Energy News, owned by People’s Daily, condemned India’s involvement in the South China Sea.  

Disputes over fishing rights persist, especially between China and Vietnam. Beijing declares an annual fishing ban during the spawning season between May and August in the northern section of the South China Sea which is often defied by Vietnam and result in arrests of Vietnamese fishermen and the confiscation of their vessels and catch. Sino-Vietnamese friction over the fishing ban continues even though the two nations entered into a fisheries cooperation agreement in 2000 as a complement to their boundary delimitation settlement.

Technological Advancement

There are mainly two aspects to heightened tensions related to technological advancements. First, capabilities for deep water drilling have spread. China’s state-owned China National Offshore Oil Corp. (CNOOC), the country’s largest offshore oil producer, announced in May the acquisition of the capability to undertake an offshore operation at a water depth of 10,000 feet and drilling a length of 39,000 feet. In August, CNOOC began developing the nation’s first deep water natural gas field, “Liwan 3-1,” in the South China Sea. The site is about 320 kilometers southeast of Zhuuhai, Guangdong province, and about 500 kilometers northeast of the disputed Paracel Islands, claimed by China, Vietnam and Taiwan.

Second, Chinese patrol capabilities are expanding. The China Maritime Surveillance Force of the South Sea fleet now has 13 patrol ships, two planes, and one helicopter. The latest ship, a 1,500 ton vessel, 88 meters long and 12 meters wide, was added to the fleet in May.

Advancements in technological capabilities have fueled demands by various interest groups in China to press forward with energy exploration. For instance, in an interview with the Wall Street Journal, Lin Boqiang, director of the Center for Energy Economics Research at Xiamen University in China said, “Right now, China is not too aggressive there, but once it has the technology, it will go more aggressively” in the

area… It's a race. This [sea] is disputed, it has resources, and whoever can get more of it can get more,” he said. If other countries are prospecting, “why wouldn't China?”

Regional Security Concerns

Deepening security ties between the United States and Vietnam have likely fueled China’s suspicions that the Obama administration is seeking to drive a wedge between China and its neighbors and strengthen the American position in the region. Beijing views Hanoi as seeking to use its growing ties with the United States to gain advantage over China in the South China Sea and this may contribute to China’s assertive pushback.

For more than a decade after normalizing relations with the United States in 1995, Hanoi was cautious in developing defense ties with Washington. However, in recent years, the U.S.-Vietnam military relationship has expanded, to include high level exchanges, port calls and military exercises. For instance, in August 2010, Vietnam welcomed the USS George Washington’s cruise down the Vietnamese coast, and the guided-missile destroyer USS John S. McCain’s port call in Danang shortly after. At the U.S. urging, Vietnam has joined the Trans-Pacific Partnership, which is believed by some to be emerging as Washington’s preferred Asia-Pacific forum.

The Obama administration’s assertion that it is back in Southeast Asia and Secretary of State Clinton’s explication of U.S. interests in the South China Sea have emboldened various players and raised hopes that the U.S. might be enlisted to support their claims against China. This in turn has provoked Beijing to condemn the stepped up involvement by the United States in the South China Sea disputes. Speaking ahead of a meeting in Hawaii between senior Chinese and American officials in June 2011, Chinese Vice Foreign Minister Cui Tiankai said, “Regarding the role of the United States in [the South China Sea], the United States is not a claimant state to the dispute… So it is better for the United States to leave the dispute to be sorted out between the claimant states.” Cui also added, “I believe the individual countries are actually playing with fire, and I hope the fire will not be drawn to the United States.”

Additionally, the uncertainties over the disputes in the South China Sea and China’s military buildup have led many countries in the region to bolster their military capabilities. According to the Stockholm International Peace Research Institute (SIPRI), comparing the periods of 2000 to 2004 and 2005 to 2009, arms imports to Indonesia, Singapore and Malaysia rose by 84%, 146% and 722%, respectively. In 2009, Vietnam ordered six Russian submarines in a deal worth $2 billion or more; and soon after that, in early 2010, it spent another $1 billion on 12 Russian fighter jets.

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corvettes with anti-ship missiles, and its capabilities will increase further when it commissions its two Gephard-class frigates. Taiwan has acquired four Keelung-class cruisers to add to its 22 frigates, some of which are armed with Harpoon anti-ship missiles. In 2010, Indonesia took delivery of the last of six Russian fighter jets worth $300 million. Malaysia has also spent $1 billion on two Franco-Spanish submarines, and doubled its frigates from four to eight in the past decade. Singapore, already among the top 10 arms importers in the world, is planning to purchase two more Swedish attack submarines.22 The Philippines is the only claimant country that has not modernized its naval capabilities significantly. Manila is now embarking on a modernization and upgrade program of its armed forces, including the Philippine Navy. In July 2011 it took delivery of the first of a minimum of three ex-US Coast Guard Hamilton Class High-endurance cutters.23

Conclusion and Policy Recommendations

Rising tensions and the growing potential for armed clashes in the South China Sea require consideration of steps to defuse tensions and resolve the festering disputes. With an interest in the preservation of peace in the region, scholars and statesmen have put forward a variety of proposals for the peaceful resolution of the territorial disputes. These can be summarized in as follows:

First, all claimants should further clarify their claims. China, in particular, should address the concerns that have been raised by the nine-dotted lines map. All claims should be based on the EEZ and continental shelf principle, with 200 nm zones measured from the baselines around the main Chinese coast, the island of Hainan, and China’s claims in the Paracel Islands, and Itu Aba in the Spratly Islands.

Second, in the wake of the signing of the implementation guidelines for the Declaration on Conduct of Parties (DOC) in July,24 a binding Code of Conduct should be negotiated between ASEAN and China.

Third, the U.S. Senate should ratify the United Nations Convention on the Law of the Sea (UNCLOS) and the United States should become a party to UNCLOS. Some argue that the fact that the U.S. has not ratified the treaty is putting the U.S. at a military and economic disadvantage. Given that the United States has a large role to play in maintaining peace and stability in the Asia Pacific region and the South China Sea in particular, ratifying UNCLOS would give the U.S. military “additional flexibility to operate on the high seas and in foreign exclusive economic zones and territorial seas.”25 It would also enable the U.S. to secure international recognition of a claim to the continental shelf as far as 600 miles beyond our EEZ in order to explore and conserve the

resource-rich Arctic as the polar ice cap recedes and provide American companies with a
fair and stable legal framework to invest in mining projects in the deep seabed. Moreover, a common understanding should be reached on key elements of UNCLOS, especially on rights and obligations in an EEZ.

Fourth, the International Court of Justice (ICJ) should be given a larger role to play in the resolution of the disputes. Where possible, territorial disputes should be referred to the ICJ. Where this is not possible, countries should agree to set aside the dispute over sovereignty and pursue joint development of hydrocarbon resources, as proposed by Chinese leader Deng Xiaoping.

Fifth, measures should be taken to enhance operational safety at sea. The Code for Unalerted Encounters at Sea, or CUES, issued by the Western Pacific Naval Symposium, offers safety measures and procedures, as well as a means to limit mutual interference and uncertainty and to facilitate communication when warships, submarines, public vessels, or naval aircraft make contact. An agreement to prevent incidents at sea should be negotiated among regional states. Confidence Building Measures (CBM) should also be implemented to build trust among militaries in the region and to promote habits of cooperation.

In conclusion, there are numerous reasons that the security situation in the South China Sea has deteriorated in recent years. China bears some responsibility for the escalating friction, but there are also other factors and players that are involved. The May 2009 UN deadline to clarify claims, rising nationalism across the region, increased oil and gas exploration activities, advances in technology, greater investment in military capabilities, and expanded involvement of the United States in the South China Sea have all contributed to overall rising tensions. Steps should be taken to further clarify claims, implement multilateral CBMs to reduce the chances of accident or unwanted conflict, ameliorate tensions, and peacefully resolve outstanding disputes according to international law.

26 Ibid.
27 Six ASEAN member States (Brunei, Cambodia, Indonesia, Malaysia, Thailand, and Vietnam) and three Northeast Asian countries (China, Japan and South Korea) have either officially agreed to negotiate joint development agreements or have been party to a joint development agreement. See keynote address by Professor S. Jayakumar, CIL Conference on Joint Development and the South China Sea, June 16, 2011.