

BREWING CONFLICT IN THE SOUTH CHINA SEA

INTRODUCTION

International disputes continue over islands and offshore areas in the South China Sea. In the Tonkin Gulf, Spratly Islands, Paracel Islands, and the Gulf of Thailand, the potential for conflict mounts. States with disputed claims in these areas include the People's Republic of China (PRC), Vietnam, the Republic of China (Taiwan), the Philippines, Malaysia, Indonesia, Thailand, and Kampuchea. Superpower interests also are involved. The U.S. is allied with the Philippines and Thailand, the Soviet Union is allied with Vietnam and Kampuchea. Competition for petroleum and seabed mineral resources has led to a scramble for offshore islands. These islands, moreover, are seen as a first line of defense by the countries that have occupied them. Isolated clashes among regional states over disputed islands or economic zones are a strong possibility. Last May, for example, a People's Republic of China naval squadron conducted exercises near Vietnamese-occupied islands in the Spratly group.¹

While the nations of the region have the primary responsibility in seeking resolution of this problem, the U.S. should be prepared to serve as a diplomatic intermediary. U.S. military forces in the region, particularly those based in the Philippines, provide a useful stabilizing force and should be increased to counter growing Soviet air and naval forces in Vietnam. Increasing U.S. naval deployments to the South China Sea or basing F-111 attack bombers in the Philippines are options that should be considered.

¹ Nayan Chanda, "The Deep Freeze," *Far Eastern Economic Review*, June 14, 1984, p. 47; Reuters International News (Jakarta), May 12, 1984.

CONFLICT AREAS IN THE SOUTH CHINA SEA



not drawn to scale

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AREAS OF CONFLICT

Points of conflict in the South China Sea include disparate island groups and areas where 200-mile exclusive economic zones overlap. The major potential conflict areas are:

Paracel Islands

The Paracels comprise about 120 islands within an oval area about 125 miles long. They are located about 220 miles southeast of the PRC's Hainan Island. The Paracels are claimed by Vietnam, Taiwan, and the PRC but totally occupied by the latter. From 1950 to 1973, various islands were occupied by South Vietnam and the PRC. After Saigon announced it was granting oil exploration rights in the Paracels and sent troops to the islands in late 1973, the PRC dispatched an air-supported marine force that captured all of the islands in January 1974.² After the fall of South Vietnam and coincident with Hanoi's worsening relations with Beijing, Hanoi claimed the Paracels in 1976 and has repeated its claim on several occasions. The PRC meanwhile has fortified the Paracels and may have tested the area for potential oil drilling.

Spratly Island Group

The Spratly archipelago consists of about 100 islands, reefs, and shoals spread over an area of about 7,000 square miles. The major concentration, the Central Spratly Group, is located about 150 miles west of Palawan Province in the Philippines. The Spratlys lie astride strategic maritime routes, and it is highly probable that oil deposits exist in the seabed around the islands. Japan used the island of Itu Aba, in the Spratly group, as a submarine base and as a staging area for its invasion of the Philippines during World War II. Vietnam, Taiwan, and the PRC claim the Spratly group. The Philippines and Malaysia do not claim the total archipelago, but their claimed economic zones overlap within it.

Philippine claims date back to 1956, when a private Philippine expedition occupied several islands. Philippine troops were sent to five of the islands in 1968 and now occupy eight islands and reefs, administered through Palawan Province. In 1976 oil was found in the Reed Bank northwest of the Central Spratly Group. This oil has been developed by Manila despite protests from Hanoi and Peking. During a visit to the islands in April 1983, Philippine Prime Minister Caesar Virata stated, "any offensive action against Kalayaan [Philippine name for islands they claim] will be considered an assault against the Republic of the Philippines."³

² "U.S. Cautioned 7th Fleet to Shun Paracels Clash," The Washington Post, January 22, 1974, p. 3.

³ Sheilah Ocampo-Kalfors, "Easing Toward Conflict," Far Eastern Economic Review, April 28, 1983, p. 38.

Vietnam has claimed the Spratlys since 1951. South Vietnam occupied five islands after its forces were ejected from the Paracels in 1974. Hanoi was quick to take over these islands after the fall of the Saigon government and has since occupied two additional islands. This group of islands, which includes Spratly Island, is located about 120 miles southwest of the Central Spratly Group. Some of these Vietnamese islands are close to Philippine, Malaysian, and Taiwanese islands. Hanoi has fortified its islands heavily. Vietnamese forces are believed to have fired on a West German yacht in early April 1983.⁴

Malaysia entered the Spratly stakes in August 1983, when it sent about 20 commandos to the island of Terumba Layang Layang.⁵ Malaysia also claims Vietnamese-held Amboyna Cay which is only 40 miles away. Kuala Lumpur justified its move on strict territorial claims, but defense of Malaysia's critical offshore oil and gas industry was an important factor. The island also lies within Malaysia's claimed economic zone, indicating possible intention to exploit the area's economic potential.

Both the Republic of China (Taiwan) and the PRC base their claims to the Spratlys on administrative records dating back to the Sung Dynasty (A.D. 960). In 1946, the ROC government started sending periodic troop expeditions to Taiping Island (Itu Aba) and has maintained a permanent garrison there since 1956. The island is also used as a fishing base and is governed through Kaohsiung municipality in southern Taiwan. Taiping Island is 700 miles south of Taiwan.

Since 1951, the PRC has claimed the Spratlys but has not occupied any of them. When any other state makes a move in the Spratlys, however, Beijing is quick to protest. In late May 1984, a bill presented to the Sixth National People's Congress of the PRC proposed incorporating the Spratlys into the Hainan Island administrative region.⁶ Hanoi protested Beijing's intentions. The possibility that the PRC will enforce its claim to the Spratlys in the near future is discouraging oil exploration near the islands and contributes to the widespread perception in Southeast Asia, especially Malaysia and Indonesia, that the PRC is a major threat to the region.

Tonkin Gulf

Hanoi claims a division of the Tonkin Gulf at 108 degrees east longitude, dating back to a French sponsored Sino-Vietnamese Boundary-Delimitation Convention of 1887. Beijing claims that

⁴ "The Siddharta Disappearance," Far Eastern Economic Review, April 28, 1983, p. 39.

⁵ K. Das, "Perched On a Claim," Far Eastern Economic Review, September 29, 1983, p. 40.

⁶ FBIS, Daily Report, China, May 29, 1984, p. K9.

the convention did not delimit maritime areas and appears to favor a median division of the Gulf, which would be west of Hanoi's claim. The PRC is very sensitive about this area due to drilling by Western oil companies around Hainan Island. In July 1979, a Vietnamese gunboat fired on two Western-owned supply vessels, and in March 1982, Vietnamese and PRC gunboats clashed.⁷ In June 1983, a Vietnamese gunboat forced a French-operated drilling rig to move east several kilometers. Both Vietnam and the PRC are building up their forces in the Gulf. As PRC petroleum-related activity spreads, the chances increase that an isolated clash may lead to a wider conflict.

Gulf of Thailand

Here, Thai maritime claims conflict with those of Vietnam, Malaysia, and Kampuchea. Thai and Western companies are extracting oil and gas from six fields within Thai territory. Development of other fields has been slowed because they are located near the area of overlapping Thai-Vietnamese claims. In 1982, Phnom Penh protested Bangkok's granting of exploration concessions in the Gulf. There have been many naval clashes between Thai and Vietnamese forces along the Thai-Kampuchean border. Soviet survey and oceanographic ships have been seen off the Kampuchean coast, indicating a possible interest in developing potential petroleum sources. Soviet merchant and naval ships use the Kampuchean port of Kompong Som, while Soviet Tu-142 Bears based in Vietnam have reconnoitered over the Gulf. Thailand and Malaysia have an area of overlapping claim but have agreed to develop its potential resources jointly.

Natuna Islands

Indonesia occupies the Natuna Islands but has economic zone boundary conflicts with Vietnam, Malaysia, and the PRC. The area north, east, and west of the Natunas is thought to contain one of the largest gas deposits in the world. Hanoi has demonstrated its willingness to negotiate its differences with Jakarta, but talks became much more difficult when Indonesia discovered oil and gas. The Indonesian Air Force operates an airstrip on Natuna Island, and there are plans to build gas processing facilities on the island.

RESOURCE COMPETITION

Petroleum is a substantial import and export commodity for the ASEAN countries. Petroleum exports are a major portion of total exports for Indonesia (70 percent), Malaysia (27 percent), and Brunei (99 percent). Thailand and the Philippines are develop-

⁷ "Where the Guns May Be Turned on Oil Drillers," Business Week, May 9, 1983, p. 44.

ing their resources, and Singapore is the world's second largest non-U.S. refining center. Low sulfur content makes ASEAN petroleum attractive to Japan and the U.S. ASEAN imports lower cost Persian Gulf oil for internal consumption. With average economic growth rates expected to range from 4 to 5 percent for the next two decades, ASEAN will be forced to use more of their own petroleum production and may become a net petroleum importer by the year 2000. ASEAN members thus are compelled to secure their offshore economic zones to expand future petroleum reserves.

Having to rely on the Soviet Union for nearly 90 percent of its petroleum needs, Vietnam places high priority on developing its own offshore oil. Mobil Corporation discovered oil off the South Vietnamese coast in 1975. The Soviet Union has been extensively exploring this area.⁸ Though unconfirmed by Western sources, Moscow claims that a Soviet drilling ship found oil this May.⁹

The PRC has a very large stake in developing petroleum reserves in the South China Sea, because its economic modernization program largely depends on expanding oil production for growing internal needs. Beijing also is counting on exporting oil for the hard currency need to buy Western goods and technology. Onshore PRC oil production has been decreasing 5 percent a year since 1979, while in 1983 alone, consumption rose 4.3 percent.¹⁰ Estimated potential PRC reserves in the South China Sea range from a low Western estimate of eight billion barrels to a PRC estimate of 100 billion barrels.¹¹ The PRC has enlisted 20 foreign oil companies to help develop this reserve. Two U.S. companies, ARCO and AMOCO, have exploration concession areas that touch the PRC-Vietnamese maritime border in the Tonkin Gulf. Foreign companies may invest up to \$75 billion in PRC offshore oil operations if significant oil deposits are found.¹² To date, one gas field has been found southeast of Hainan Island, one oil well in the Tonkin Gulf is due to start production in 1986, and oil has been found east of Hainan Island. If significant discoveries are not made by 1987, many oil companies may pull out.¹³

⁸ Michael Richardson, "Taming a Wildcat," Far Eastern Economic Review, April 28, 1983, p. 54.

⁹ "Soviets Say Oil Found Off Vietnamese Coast," Japan Times, May 31, 1984, p. 6.

¹⁰ Ray S. Cline, "China's Oil Bubble May Burst for West," Asian Wall Street Journal Weekly, March 19, 1984, p. 14; Chevron Corporation, World Energy Outlook, 1984, p. 10.

¹¹ Selig S. Harrison, "Time Bomb in East Asia," Foreign Policy, Fall 1975, p. 6; Jing Wei, "The Eve of a Massive 'Battle,'" Beijing Review, April 9, 1984, p. 20.

¹² Ray S. Cline, op. cit.

¹³ Roz Liston, "1987 Seen As Deadline For Oil Find Off China," The Washington Post, May 8, 1984, p. D7.

PROSPECTS FOR NEGOTIATIONS

Settlement of territorial disputes and overlapping economic zones in areas requiring multilateral negotiations, such as the Spratlys, is likely to be linked closely to overall ASEAN-Vietnam-PRC relations. These in turn depend upon settlement of outstanding issues such as the Vietnamese occupation of Kampuchea. Such negotiations will also be closely linked to the legal status of the South China Sea. The U.N. Law of the Sea Convention affirms the right of states to claim a 200-mile economic zone. But in the South China Sea, many such claims overlap. For the near future, bilateral negotiations to delineate economic zones offer the best chance of success. The existence of several bilateral agreements might establish a set of precedents for future multilateral negotiations. Joint economic development agreements in areas where claimed economic zones overlap may be a promising method by which regional states can derive economic benefits while avoiding contentious territorial issues.¹⁴ Malaysia and Thailand have set such an example.

There are some signs of bilateral progress. Malaysia and Indonesia have signed a bilateral sea treaty affirming Indonesia's archipelagic status and giving Malaysia limited access to Indonesian waters; Indonesia and Vietnam have negotiated conflicting claims north of the Natunas; Malaysia and Vietnam have agreed to settle conflicting island claims by negotiation. Without such bilateral territorial settlements or the onset of regional negotiations, however, states of the region will continue to occupy offshore islands with a view toward substantiating their territorial claims and enforcing their economic zone claims.

ISLANDS AS FIRST LINES OF DEFENSE

The weakened U.S. military presence in the region following the fall of South Vietnam, Soviet support for Vietnamese domination of Indochina, and increased competition for offshore resources have caused ASEAN nations to shift their internally oriented defense policies in order to meet potential external threats. Vietnam and the ASEAN states are acquiring modern air and naval forces and are bolstering their military installations on the disputed offshore islands--which are regarded by some states as a first line of defense. The proximity of these armed islands, particularly in the Spratlys, increases the possibility that incidents could occur, which might lead to wider conflict during periods of high diplomatic tension.

Since 1974, the PRC has constructed several harbors and a naval base in the Paracels. The naval base on Woody Island can

¹⁴ Mark Valencia, "Oil Under the Troubled Waters," Far Eastern Economic Review, March 15, 1984, p. 31.

service frigates and gunboats¹⁵ and can be used as a staging point in any future campaign to capture the Spratly Islands.

According to a 1978 Philippine estimate, Taiwan has 600 troops on Itu Aba in the Central Spratly Group.¹⁶ The Philippines has about 1,000 troops on its Spratly Islands and has constructed an airstrip on Pagasa Island (Thitu). Hanoi has fortified its Spratly island holdings heavily with artillery, anti-aircraft guns, troops, and hardened bunkers and has built a 1,500-foot paved airstrip on the main Spratly Island. In addition, 150 Vietnamese troops are known to be on Amboyna Cay.¹⁷

Taiwan and the PRC have the most impressive naval amphibious forces but both lack aircraft capable of supporting and defending long-range operations. The navies of Malaysia, Vietnam, and the Philippines are growing, but are still best suited for coastal defense and would be hard pressed to mount sustained operations in the Spratlys. Fighter aircraft possessed by Malaysia (U.S. A-4 Skyhawks), Vietnam (Soviet Su-17 Fitters) and the Philippines (U.S. F-8 Crusaders) have sufficient range to reach the respective islands in the Spratly Group occupied by each. The PRC's H-6 medium bombers also can reach the Spratlys. However, the time these aircraft can spend over the Spratlys is limited. Thus, no single claimant has the ability to enforce its total claim in the Spratlys.

POTENTIAL FOR SUPERPOWER CONFLICT

The area's most dangerous potential flashpoint is in the Tonkin Gulf. Sino-Vietnamese tension has been high, resulting periodically in serious border clashes. Should Hanoi suffer large losses on the Sino-Vietnamese border, it might react by attacking PRC naval ships in the Tonkin Gulf or PRC naval facilities in the Paracel Islands. The disputed sea boundary in the Gulf and conflicting claims over the Paracels make this region a likely area of conflict. Soviet-supplied Petya-class frigates and Su-17 fighter bombers would allow Hanoi to initiate action in the Gulf. Additional Soviet arms transfers, such as Koni-class frigates, Foxtrot-class submarines, plus more fighter bombers, can be anticipated.¹⁸ Vietnam's willingness to attack in the Gulf would be based on Soviet willingness to back such moves. This could be a dilemma for Moscow. It desires to improve its

¹⁵ "China Reinforcing South China Sea Islands?" Jane's Defence Weekly, July 14, 1984, p. 7.

¹⁶ Rodney Tasker, "Stake-out in the Spratlys," Far Eastern Economic Review, February 24, 1978, p. 11.

¹⁷ Ocampo-Kalfors, op. cit.; G. Jacobs, "New Soviet Arms for Vietnam," Pacific Defense Reporter, September 1982, p. 51.

¹⁸ Lieutenants J.V.P. Goldrick and P.D. Jones, "The Far Eastern Navies," United States Naval Institute Proceedings, March 1984, p. 62.

relations with the PRC but also wishes to maintain its credibility as Hanoi's protector and to expand its use of Vietnamese military bases.

In Vietnam's Cam Ranh Bay, the Soviets base an average of 22 naval ships, half of which are combatants. At times these have included up to four nuclear and conventional-powered submarines. In November 1983, nine 1,500-mile-radius Soviet Tu-16 Badger medium bombers were deployed to Cam Ranh airfield. Nine additional Badgers were deployed this June.¹⁹ In April, a Soviet-Vietnamese joint amphibious naval landing exercise of unprecedented size was held south of Haiphong.²⁰ Vietnamese landing ships and frigates were joined by a Soviet Naval Infantry battalion transported by the large amphibious assault ship Aleksandr Nikoleyev, which was escorted by the anti-submarine carrier Minsk and other Soviet combatants. Access to Vietnamese bases gives Moscow the ability to threaten sea lanes and U.S. naval forces in the South China Sea and to strike targets in southern China. Moscow also has the capability to support Vietnamese moves in the Tonkin Gulf if it desires.

The PRC may consider military action in the Spratlys in the event of any future conflict or period of high diplomatic tension with Vietnam or the Republic of China (Taiwan). The PRC continues to maintain its claim to the offshore islands in the South China Sea. Currently, the PRC is deterred from action in the Spratlys by Soviet forces in Cam Ranh Bay and by U.S. forces in the Philippines. But the PRC plans to greatly increase its naval strength and make the South Sea Fleet its largest.²¹

Beijing's ability to exercise its military option in the Spratlys was demonstrated in early May, in connection with mounting Sino-Vietnamese border tension and the April Soviet-Vietnamese amphibious landing exercise.²² A PRC naval squadron consisting of two frigates, one troop ship, and an oiler circumnavigated the Spratly Island area and then conducted an amphibious landing exercise on Hainan Island. Hanoi Radio responded with a report on April 29 about a visit to Cam Ranh Bay by Vietnamese Defense Minister Vien Tien Dung. He exhorted cadres and military unit representatives to "...consolidate the Spratly archipelago into a stalwart steel fortress to defend the fatherland's sovereignty...."²³ This was an oblique warning to the PRC. Beijing fully realizes that Moscow is the major "tenant" in Cam Ranh Bay.

¹⁹ Jane's Defence Weekly, July 21, 1984, p. 55.

²⁰ "The Russians Are Landing," The Economist, April 28, 1984, p. 47.

²¹ "Chinese Navy Set for Expansion," Defense Week, June 4, 1984, p. 13.

²² Michael Richardson, "Watch on the Spratlys," Pacific Defense Reporter, September 1984, p. 9.

²³ FBIS, Asia and Pacific, May 2, 1984, p. K14.

U.S. POLICY

U.S. policy toward the contested areas of the South China Sea is deliberately vague. Washington does not support the offshore island claims of its friends and allies nor has it repudiated any of them.²⁴ The U.S. seeks to encourage peaceful settlement of disputes while maintaining its forces in the region to counter possible threats to the security of its allies.

As the economic interests and military capabilities of the conflicting states intensify, the U.S. must pay closer attention to this region. Southeast Asia is strategically and economically vital to the U.S. Capitalist-oriented ASEAN is the world's fastest growing economic region. ASEAN collectively constitutes the fifth largest U.S. trading partner. The sea lanes through the South China Sea and the Malaysian-Indonesian straits are vitally important to the economies of ASEAN, the Republic of China, and Northeast Asia. For instance, 75 percent of South Korea's and 60 percent of Japan's imported oil must pass through them. Unimpeded U.S. naval access to these maritime routes is essential for the U.S. to meet its commitments in Asia and the Persian Gulf.

Because the South China Sea is strategically and economically important to the U.S., measures to avoid conflict in the disputed offshore areas should be encouraged. Several of the disputants are friends or allies of the U.S. If called upon, the U.S. should be prepared to offer its services as a diplomatic intermediary. Multi-claim conflict areas such as the Spratlys eventually must be addressed in the context of regional negotiations. This may not occur for some time because issues such as the Vietnamese occupation of Kampuchea deeply divide the claimants.

Whether the U.S. should react militarily to incidents in disputed areas such as the Spratlys depends upon specific circumstances. The U.S. should pursue all avenues to avoid military incidents between U.S. friends and allies. However, should future incidents involve U.S. friends or allies and Vietnam or the PRC, the U.S. should offer military assistance to friends and allies only to deter possible Soviet or Vietnamese intervention.

As long as no single state has the ability to enforce its total claim and as long as U.S. forces are in the region, the situation remains defused. Should the U.S. reduce its presence in the region or lose its bases in the Philippines, Vietnam or the PRC may be tempted to settle their claims by force.²⁵ Conti-

²⁴ Justus M. van der Kroef, "The South China Sea: Competing Claims and Strategic Conflicts," International Security Review, Fall 1982, p. 321.

²⁵ A. James Gregor, "The Key Role of U.S. Bases in the Philippines," The Heritage Foundation Asian Studies Center Backgrounder No. 7, January 10, 1984, p. 8.

nued maintenance of U.S. forces in the Philippines, U.S. military aid and security assistance programs to ASEAN states, and periodic military exercises with regional allies contribute to peace and stability in the South China Sea.

The recent deployment of nine additional Soviet Tu-16 medium bombers to Cam Ranh airfield raises the total to 18. Additional Tu-16 deployments plus transfers of additional Soviet fighter-bombers to the Vietnamese air force can be expected. These Soviet aircraft are a clear threat to U.S. forces and sea lanes in the South China Sea. Maintenance of a U.S. aircraft carrier task group in the South China Sea would be the best way to counter the growing Soviet maritime threat in Southeast Asia. This will not always be possible, however, due to repair schedules and the need to maintain forward carrier deployments in high tension areas such as the Persian Gulf and Central America.

As such, the U.S. should consider basing U.S. Air Force F-111 attack bombers at Clark Air Base in the Philippines. The F-111's 1,400-mile radius and the size of its weapons payload make it comparable to the Tu-16. Before a decision to deploy the F-111 is made, the U.S. should consult with Manila and other regional friends and allies, with particular attention to the internal Philippine political situation.

CONCLUSION

A confluence of economic, military, and political factors has seriously raised tensions in the South China Sea, particularly in the Tonkin Gulf and the Spratly Island group. Because of Southeast Asia's strategic and economic importance, the U.S. must monitor this region very closely.

The U.S. should encourage peaceful settlement of disputes wherever possible. However, the many and various claims in such areas as the Spratlys are better addressed in the context of regional negotiations--which may not be possible until the resolution of divisive regional issues like the Kampuchean conflict. The ongoing build-up of Soviet forces in Vietnam is a destabilizing factor.

Under these conditions, U.S. forces in the region must be maintained--and might very well have to be increased--to preserve regional stability.

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