

China's Recent Relations with Maritime Neighbours

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Chinese maritime assertiveness since 2008 is a product of China's growing economic and military power combined with a centrally fostered nationalism. Although incidents with several maritime neighbours may not have all been initiated by China, the Chinese over-reacted. Matters were made worse by the opacity of Chinese decision-making processes and by problems of governance as shown by the multiplicity of Chinese authorities in charge of separate naval forces. The American 'pivot' to Asia provides neighbours with a hedge against an overbearing China, but they still need to cultivate relations with China on whom they are economically dependent.

Keywords: Chinese over-reaction, naval forces, maritime neighbours, economic interdependence, hedging

The new Chinese assertiveness since 2008 has taken place in a context in which many Chinese leaders and intellectuals believe that the balance of global power is shifting in their favour. Although they recognise that the United States continues to retain overall military superiority, many believe that America is in relative decline. They point to its financial crisis, its indebtedness and its current dysfunctional political system. China by contrast has become the dynamo of the international economy. It is the world's largest exporter and is predicted to be the world's largest economy by 2016. China has become the major trading partner of nearly all the countries of region. In 1997, the United States was the leading external trader in East Asia, ten years later it was surpassed by China and, by 2011, the gap between the value of China's Asian trade and that of the United States has grown substantially.¹ Meanwhile China has become a global economic actor with vital

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¹ According to the ASEAN Secretariat, the value of China's trade with ASEAN countries in 1998 was USD20 billion as compared to USD116 billion for the US. Ten years later in 2008, the figures were USD178 billion and USD150 billion, respectively. According to the US Census Bureau, a similar pattern

economic interests in all the major parts of the world. As a huge trading nation, with an economy dependent on importing energy and a wide range of raw materials China has acquired vital interests in ensuring protection for its trade routes. Thus its navy, which was first modernised with the objective of denying, or significantly limiting, the American ability to come to the defence of Taiwan, is now in the process of expanding its role. In recent times it has extended its reach to the Western Pacific and to the Indian Ocean. China has become the major strategic player in East Asia. Although it is still outmatched by American military power, the critical strategic calculation by all the states in East Asia is how to respond to China's growing military power. It is the recent increase in the number and quality of Chinese vessels patrolling the East and South China Seas, which has alarmed its maritime neighbours.

No clear policy towards maritime neighbours

Despite China's long-standing policy of cultivating the friendship of neighbouring countries that took shape in the 1990s, China has not developed a set of policies directed specifically at the maritime ones. Land border problems are more easily addressed, as the settlement of a dispute with any one country need have no bearing on settlements with other countries. Moreover, given China's long tradition as a continental country, the Chinese are familiar with the geopolitical calculations of time, space and land armies. By contrast, the Chinese have little experience of maritime conditions, where the geopolitical calculations are different and where the rule of law applies more universally, so that the basis on which claims to sovereignty and jurisdictional rights can be made have to be universally recognised as valid in international law.

China's leaders have long ceased to worry about the kind of physical invasions of their country that preoccupied them in the 1950s, 1960s and 1970s. Although they are concerned about what they see as the dangers of separatism in Tibet and Xinjiang, they regard their main security threats as maritime ones emanating particularly from the United States. It is American maritime power that stands between Mainland China and unification with Taiwan, which Beijing believes is a province of China. In fact, the main driver of China's military modernisation since 1990 has been the goal of preventing Taiwan from declaring complete independence, leading to its complete separation from China. To this end, Beijing has arrayed over a thousand short-range ballistic missiles targeted at the island and developed amphibious forces with which to threaten an invasion. But the main

(footnote continued)

applies to Chinese and American trade with the East Asian countries of Japan, South Korea and Taiwan. In 1998, China's trade came to USD99 billion and that of the US USD271 billion. Ten years later in 2008, the respective figures were USD491 billion and USD368 billion.

obstacle has been the maritime power of the United States, which could intercede in the event of conflict. Consequently, China has also been developing what the US calls 'anti-access' or 'area denial capabilities' to deter or prevent American forces coming to the aid of Taiwan.

Beyond Taiwan, it is again mainly American maritime power that in Beijing's view threatens to curtail China's rise. Moreover, as China's economy has become more integrated into the international economy, its national interests have expanded into seeking to defend its trade routes and the sea lanes on which its access to raw materials, notably energy, has come to depend. The modernisation of its armed forces and especially its navy, air force and communication systems has enabled China to extend its maritime defence from coastal to more distant waters. In fact, it is only within the last few years that China has developed a naval capability that goes beyond immediate coastal defence. For example, in December 2008, China sent its first of a series of flotillas of three ships 4,400 miles away to join the international piracy patrol off the coast of Somalia. In the spring of 2010, China sent its first flotilla of ten advanced ships through an international strait between Japan's Okinawa island chain in order to carry out exercises in the Western Pacific. In an interview with Xinhua News Agency, Rear Admiral Zhang Huachen, deputy commander of the East Sea Fleet, announced: "With our naval strategy changing now, we are going from coastal defense to far sea defense." "With the expansion of the country's economic interests, the navy wants to better protect the country's transportation routes and the safety of our major sea lanes," he added. "In order to achieve this, the Chinese Navy needs to develop along the lines of bigger vessels and with more comprehensive capabilities."² China has also increased the number and quality of Coast Guard ships on patrol in the South China Sea.

Since the main challenge to China's rising power stems from the United States, that is perhaps why the defence interests of its maritime neighbours have not figured large in Chinese calculations. In Northeast Asia, for example, it so happens that Chinese access to the Pacific Ocean is limited to relatively narrow straits traversing the island chain of Japan that stretches from the Kuriles in the north down to within about a hundred miles to the east of Taiwan in the south. In recent years, Chinese flotillas of an array of highly modern naval vessels have passed through them causing unease in Japan. At no point, however, have the Chinese discussed these missions with the Japanese, or shown any recognition that they may discomfort Japan. In fact China's leaders have more regular and deeper exchanges about strategic matters with the United States than they have with Japan. To be sure, China has a complex set of agendas and policies, which are pursued with each of the countries of Northeast Asia as each one poses particular political and security

²E. Wong, "China Expands Naval Power to Waters US Dominates", *New York Times*, 24 April 2010.

issues. The relationships are highly complex, involving issues of national identities and history as well of politics and security. China is tied to the economies of Taiwan, South Korea and Japan in tight interdependencies and indeed it has promoted a trilateral grouping with the latter two to facilitate even better economic exchanges.³ But the arrangement has not extended to security matters.

Southeast Asia, though important, is of less strategic significance to China than the highly developed countries of Japan and South Korea. Both are close military allies of the United States and while Japan is the great power rival in the East Asian region; South Korea is a powerful middle power with whom China contends for influence over North Korea. The People's Republic of China (PRC) has traditionally dealt with the Southeast Asian countries on a bilateral basis, but since the 1990s it has recognised ASEAN (Association of South East Asian Nations) as the regional representative of their interests and in some respects as a regional partner. Although the Southeast Asian nations have long been wary of their great power to the north, their main contention in recent years has centred on disputes over the sovereignty of islands and jurisdiction over adjacent seabeds in the South China Sea, which are contested in whole or in part by China, Taiwan, Brunei, Malaysia, Vietnam and the Philippines. In 2002, China agreed with ASEAN upon a voluntary Code of Conduct (COC) for operating in the South China Sea. Nevertheless the Chinese government has consistently argued for many years that sovereignty disputes over islands in that sea can only be negotiated on a bilateral basis. These positions of the Chinese government are of long standing, but what has changed the situation is the growth of China's military power.

What some have seen as aggressive behaviour towards its maritime neighbours since 2008 may be better understood as the product of China's rising military and economic power rather than as the consequence of a deliberate coordinated policy by the Chinese central government. The continued growth of China's air and naval power aimed at defending China's vulnerable trade routes, on which its economy has progressively come to depend, has alarmed its maritime neighbours even though they were not the primary targets for this expansion of military power. As a result something of an arms race has developed in the region. Notwithstanding the huge discrepancy in power between China and the Southeast Asian countries, the latter have increased their military purchases dramatically in recent years. A substantial proportion of those acquisitions are China related although most governments have held back from naming China directly as a concern.⁴

³ For an account that sees great prospects for this grouping, see Calder and Ye, *The Making of Northeast Asia*.

⁴ See, for example, Haacke, "Significance of Beijing's Bilateral Relations", 111-45.

The rise of nationalism

Another important contributor to the context of the open disputes that have broken out since 2008 is the depth of the nationalism that has emerged in many of the Asian countries. In China in particular, beginning in the 1990s the government fostered a nationalist distrust of the outside world and this, if anything, was intensified by the holding of the Olympic Games in 2008. This highpoint of China's international standing and confidence in China's achievement was accompanied by continual warnings directed at the home audience about the hostility of the outside world. The United States, especially, was portrayed as being engaged in continuous efforts to subvert the Chinese system and to contain China so as to limit its rise. American alliances, especially with Japan, but also with others including South Korea, Australia and allies and partners in Southeast Asia were often portrayed as relics from the Cold War designed to contain China.⁵

Chinese nationalism since 2008 has displayed a peculiar combination of assertive self-confidence in demanding a greater role in shaping world affairs and defensiveness about the regime's vulnerability to foreign influence that could take advantage of its many domestic problems.⁶ Chinese students are taught a version of modern history that emphasizes Chinese victimhood at the hands of the West and Japan. Notwithstanding China's rise as it is poised to become the largest economy in the world by 2016, the government portrays the country as being denied what it claims to be its indisputable territorial rights in the East and South China Seas by neighbouring countries as supported by the United States.

Its claims are largely based on an ill-defined history of links and associations with islands and territories in the past that are not recognised by relevant international law. Perhaps the most egregious example is the well known map (the so-called 'cow-tongue') inherited from the Nationalist government (first published in 1947) with nine dashes that encompass nearly the whole of the South China Sea, coming close to the coasts of the Philippines, Indonesia, Brunei, Malaysia and Vietnam. On 15 March 2009, the Foreign Ministry spokesman stated, "China has indisputable sovereignty over the islands of the South China Sea and their adjacent waters."⁷

The forces of nationalism are evident in most of China's maritime neighbours too. The majority of the Southeast Asian states emerged from colonial rule less than sixty years ago. They are still seeking to consolidate their national identities amid pressures from different ethnic and religious groups within and pressures from neighbours without. They too have vital interests in seeking to substantiate their claims in the South China Sea. Despite their differences with Southeast Asian

⁵ See, for example, Yahuda, "China's Foreign Policy Comes of Age"; and Ross, "Chinese Nationalism and its Discontents".

⁶ Callaghan, *China: The Pessoptimist Nation*.

⁷ "Statement of Spokesman of Ministry of Foreign Affairs", *Xinhua*, 15 March 2009.

countries, South Korea and Japan are also seeking to establish new national identities, especially in the current post-Cold War era. Like their Southeast Asian counterparts, they too find their maritime interests under pressure from China. These competing nationalist claims have led to inflexibility in treating the disputes over sovereignty and, even though there has been agreement in some instances to put those aside temporarily in order to carry out joint projects in the areas under dispute, none so far have come to fruition.

Problems of governance

Despite China's economic success as an authoritarian state under the monopolistic rule of its communist party, its leaders face problems of governance in a system that is increasingly pulled towards fragmentation. This and the effects of globalisation have eroded the ability of the Chinese government to coordinate policy in a cohesive way: with the advent of a collective style of leadership in Beijing, particularly since Hu Jintao's ascendancy, power has become less centralised. Different agencies, such as ministries, provinces, some state-owned companies and major communist party organisations have become almost autonomous in pursuit of their particular interests.⁸ They engage in 'turf wars' with each other and their relative importance may vary according to the standing of their respective leaders in the hierarchy of the communist party, the degree of relative autonomy they may enjoy, or their significance in the main goals of the regime of developing the economy and maintaining social stability. The Ministry of Foreign Affairs has lost ground to other ministries in this mix and the coordination of policy has become difficult. Much depends on the degree of attention paid to an issue by the senior leaders. The main institutional avenue for them is the Foreign Affairs Leading Small Group, drawing members from the party, the government and the military, including those responsible for public security, propaganda and commerce.⁹

A generational change of leadership is due to take place in China beginning in the autumn of 2012 and continuing into March of the following year and perhaps beyond. Although it seems that the two top positions of leader of the Communist Party and premier have been settled, the positions in the political bureau and the all-important standing committee of the political bureau appear contested. These positions in recent years have been allocated to represent key functional interests. Little is known about who the contenders are and how they may be chosen. Indeed the opacity or lack of transparency about decision-making is one of the central problems other states have in dealing with China. The development

⁸ See Saich, *Governance and Politics of China*; and Lieberthal, *Governing China*.

⁹ This paragraph draws on Jacobson and Knox, *New Foreign Policy Actors in China*; Miller, "CCP Central Committee's Leading Small Groups"; and Lawrence, "Perspectives on Chinese Foreign Policy".

of centrifugal forces during the change of leadership suggests that China may have growing problems of central control over many aspects of current policies. In any event, Chinese leaders at this time are unlikely to demonstrate much flexibility on issues concerning sovereignty. The penalty for appearing soft on such a nationalistic matter would be very high.

In the case of maritime East Asia, there are many Chinese agencies involved in the conduct of relations covering trade, investment, financial transactions, infrastructure development, mining, educational and cultural exchanges, tourism and so on. What is perhaps more relevant to the issue at hand is the multiplicity of maritime agencies involved in advancing China's maritime interests. The Navy is divided into the North Sea Fleet, the East Sea Fleet and the South Sea Fleet, and it also has its own coastal defence forces, a marine force and an aviation wing. They are all nominally under the control of the Party's Central Military Commission. One example of failure of coordination with the Ministry of Foreign Affairs is the way public statements by the ministry were toughened up in opposing US–South Korean exercises in the Yellow Sea from November 2010 to July 2011. The ministry started by only “objecting” to American and South Korean military activities in China's Exclusive Economic Zone (EEZ) and ended up by “resolutely opposing” the presence of “foreign ships” in the Yellow Sea and “other coastal waters” that would affect “China's security interests”.¹⁰

However, excluding the sea-going vessels under the authority of different provinces and coastal cities, there are also at least four other maritime forces, which are under the administrative control of different ministries. These include (in no particular order) the Ministry of Agriculture, the Ministry of Transport, the Ministry of Public Security and the Ministry of Land and Resources. Although each has specific maritime responsibilities, there is considerable overlap between them. For example, the Maritime Safety Administration, under the Ministry of Transport operates an extensive fleet of patrol boats, whose duties seem to overlap with the Coast Guard. The Administration of Fishing and Fishery Harbour Supervision for the South China Sea (a branch of the Maritime Safety Administration) dispatches up to six modern escort vessels in support of Chinese boats around islands where “fishing illegalities by neighboring countries are on the rise”.¹¹

It is not clear how the activities of these various bodies are coordinated, but they all have naval vessels under their command. Their plurality and overlapping responsibilities complicates matters for their neighbours and presumably for the central Chinese government. Moreover it is unclear which agency is responsible for overseeing the operations of China's various fishing fleets, whose members frequently encounter the forces of neighbouring states leading to incidents in

¹⁰ Swaine and Taylor Fravel, “China's Assertive Behavior. Part Two”, 12-3.

¹¹ Huang J., “Official urges Better Protection for Fishermen in South China Sea”, *Xinhua*, 1 July 2011, citing Director Wu Zhuang.

which fishermen may be detained, catches confiscated and even shooting may take place. How far the top leaders can exercise command and control over such diverse actors must be of concern to China's neighbours and beyond.

The recent downturn in relations with maritime neighbours

It is perhaps primarily in the perspective of other East Asians and Americans that the deterioration of China's relations with many of its maritime neighbours has been brought about by a new assertiveness, not to say bellicosity, by China. A closer look suggests that the situation is more complex, with Chinese policies varying from place to place and in some cases Chinese actions may be seen as reactive rather than initiatory. Thus with regard to Korea, it seems clear in retrospect that China's readiness to come to the economic and political aid of North Korea from 2008 onwards was to prop-up the regime at a time of great vulnerability associated with its ruler's illness. China defied UN sanctions not out of a new spirit of assertiveness, but rather because of a defensive need to prevent the collapse of a vulnerable buffer state. That led Beijing to support Pyongyang over its sinking of the South Korean corvette *Cheonan* in May 2010 and its shelling of the island of Yeonpyeong later in November. China's leaders supported the North even though they must have known that by doing so they alarmed the South and its ally, the United States.

In the summer of 2010 (in the aftermath of the sinking of the *Cheonan*), the US and South Korea conducted naval exercises in the Yellow Sea near China and the Korean peninsula as a signal of resolve and deterrence to Pyongyang. Far from seeing the exercises as stabilising, Beijing saw them as a potential threat to the already tense situation on the Korean peninsula. But its objections went beyond the exercise itself to expressing opposition to foreign military vessels or planes operating in its "coastal waters".¹² These were not defined, but they seemed to go beyond China's idiosyncratic claims about restricting foreign naval vessels and planes in its EEZs. In other words, the Chinese objection went beyond the exercises themselves to assert the right to deny areas of the high seas to foreign navies.

The reaction of South Korea and the United States to the Chinese support for acts of aggression by North Korea was also shaped by what appeared to be the egregious reaction of the Chinese government in September that year to the arrest of a Chinese captain of a fishing boat that had rammed two Japanese Coast Guard ships near the Senkaku/Diaoyu islands, claimed by both China and Japan. Although the Chinese response was undoubtedly excessive, as it went beyond suspending all government talks to arresting four Japanese on spurious charges, withholding or delaying the export of rare earths crucial to Japanese industry and even demanding an apology and compensation.

¹² "Why China Opposes the US-South Korean Military Exercises in the Yellow Sea", *People's Daily Online*, 16 July 2010.

Despite past detentions of offending Chinese fishermen and Chinese activists, this was the first time that the Japanese proposed to put such a Chinese on trial in a domestic Japanese court. At issue was that the Japanese side was perceived to be elevating its claim to a new legal level, which was unacceptable to Beijing. The Japanese claimed that the islands were under the administration of Japan and that there was no dispute over their ownership. The Chinese objection to the Japanese proposal to try the sea captain is understandable even if the response was not. The effect of the incident was for US Secretary of State Hillary Clinton to clear any remaining ambiguities and firm up the interpretation of the US–Japan defence treaty to include the disputed islands, even though she noted that the US did not take a position on who had the right of sovereignty.

As for the claims in the South China Sea, it is important to recognise that China's leaders had stated their position on many of the issues in dispute in the early 1990s, if not before. For example, its claims to the island groupings in the South China Sea were made in the 1950s, while its claim to the islands disputed with Japan was made in 1971. In 1992, the Chinese government passed a law detailing its territorial and maritime claims. After initial military incidents in the early 1990s that saw it establish a military presence in some of the islands in the Spratly chain at the expense of Vietnam and the Philippines, disputes over sovereignty and maritime jurisdiction were largely put aside after 1995.

Since then China has adhered to a policy of deferring the resolution of maritime disputes and opposing any perceived attempt by others to undermine its position. China has held fast to the view that differences over sovereignty should be negotiated only on a bilateral basis. At the same time, it has proposed that sovereignty and jurisdictional disputes (about the boundaries of EEZs) can be put aside while the relevant parties engage in joint development of such resources as may be found there.¹³

While rejecting multilateral solutions to questions of sovereignty, China has nevertheless allowed for a degree of multilateral approaches to management issues of the South China Sea. Thus it agreed with ASEAN in 2002 to a Declaration of a Code of Conduct for the South China Sea. Even though it was non-binding, it signified an acknowledgement by China that the regional organisation had a part to play and that purview of the South China Sea went beyond bilateral arrangements between itself and the other littoral states. Specific arrangements to this effect followed with joint cooperation in marine scientific research, environmental protection, search and rescue and combating transnational crime. China had also agreed to carry out joint developments with Japan and a tripartite one with the Philippines and Vietnam, but the one with Japan has yet to be finally concluded and the tripartite one fell through because of the withdrawal of the

¹³ For an account of China's long-standing maritime claims, see Austin, *China's Ocean Frontier*.

Philippines. In fact, Chinese diplomacy in Southeast Asia was generally considered to have been successful until the late 2000s. China's economic ties were deepening and its influence had grown at the expense of Japan and the United States.¹⁴

China's articulation of its full claims to sovereignty in the South China Sea in its submission to the UN Commission on the Limits of the Continental Shelf in May 2009 was a response to prior submissions by Vietnam and Malaysia, which contravened claims made by the Chinese side back in 1992. Since the submissions were required to be submitted to the UN Commission by that date, the Chinese had little alternative but to respond. They rejected much of the joint claim by Vietnam and Malaysia and submitted a preliminary 'information indicative' of their own claims. The Chinese also submitted the controversial map that encompasses most of the South China Sea and comes close to the coasts of Vietnam, Malaysia and the Philippines. Although not new, the Chinese documents were more specific than previous submissions to the UN and were seen as stating for the first time that the islands that China claimed were entitled to a territorial sea, EEZ and continental shelf.¹⁵

Nevertheless, the extent of China's maritime claims remains unclear. At times it appears to encompass the entire South China Sea, even denying the claims of littoral states to their respective EEZs, let alone to such continental shelf as may be available, even though China claims these for its own territories.

This is not to argue that Chinese behaviour since the financial crisis of 2008 has not been assertive, but it is to suggest that in these and other respects Chinese behaviour in the East and South China Seas has not been as provocative as has often been portrayed. China's more assertive behaviour may be seen in its increasing ability to follow-up its claims with actions by its naval and other vessels, which have increased and intensified their patrols, enabling them to harass neighbouring fishing boats more effectively. The Philippines and Vietnam in particular have issued more complaints about the detention of their fishermen, their boats and the confiscation of their catches in what they claim as their own waters.

With the exception of Vietnam and the Philippines under the current president, Benigno Aquino, the other ASEAN states are reluctant to single China out by name as a potential threat to their national interests. China's historical weight, its geographical presence as the overwhelming Asian power and its current economic and military power all combine to make its Southeast Asian neighbours very wary of openly challenging the nearby giant. After all, for good or ill, unlike any of the other major powers, China will be a continual presence. Perhaps that is why China's Foreign Minister, Yang Jiechi, was startled and taken aback when he found most of the ASEAN countries joining with the United States in challenging

¹⁴ Shambaugh, "Return to the Middle Kingdom in the Early 21st Century", 23-47; and Zhang and Tang, "China's Regional Strategy", 48-68.

¹⁵ Swaine and Taylor Fravel, "China's Assertive Behavior. Part Two", 2-5.

the Chinese position at a meeting of the ASEAN Regional Forum in Hanoi in July 2010.

By this time much of the goodwill China had generated through its policies of cultivating economic and social relations with Southeast Asian countries in particular had worn thin. Chinese nationalism in the past fifteen years allowed little room for the consideration of the way neighbours might view their own histories or identities. In fact little consideration was given to the different visions of their own histories by ethnic groups, such as Tibetans, Kazaks, Uighurs, Mongolians and others within China. The version of history propagated in China with regard to its neighbours is that China has always been benign. The fact that Koreans, Vietnamese, Japanese, Burmese and others have historical records that suggest otherwise is ignored or denied. As a result China's leaders have a poor record in recognising and appreciating the perspectives and viewpoints of neighbouring countries, including those of Southeast Asia. Arguably it was the growth of China's power and the pressing character of the way it was enhancing its claims without regard to the interests of its maritime neighbours, which proved to be a turning point for them when offered American countervailing power in the summer of 2010.

The US return to Southeast Asia and attempts to reduce tension

The Obama administration had already indicated its intention to "return to Southeast Asia" in 2009, when it became concerned by growing Chinese pressure in the South China Sea and especially by comments by Chinese officials that the sea was a "core interest" of China, suggesting that its importance was being elevated to that of Taiwan or Tibet, and that China would not allow interference from the United States. At the ASEAN Regional Forum (ARF) meeting in Hanoi, Hillary Clinton stated that freedom of navigation in the South China Sea was a vital interest of the United States and that the US opposed the use of force to address disputes. She went further to offer the good services of the United States in talks to implement the Code of Conduct agreed in 2002. In this, she was supported by 12 states including the overwhelming majority of ASEAN members. A furious Yang Jiechi, unable to contain his anger at the temerity of these states to raise the South China Sea issue in this way, stared at his Singaporean counterpart and thundered, "China is a big country and the other countries are small countries and that is just a fact."

Since then, however, the United States, ASEAN and China have all taken steps to reduce tensions in the South China Sea. As in many other cases, sometimes it takes a crisis to change the dynamics of tense situations, as all three parties rapidly retreated from those public positions. In visits to the region, Chinese leaders and senior officials sought to reassure neighbours of China's peaceable intent. During

a visit to Singapore in November 2010, Vice President Xi Jinping, China's probable next leader, reverted back to China's previous position, saying that a "prosperous and stable China does not pose a threat to any country", that Beijing would "continue to undertake its responsibilities for regional peace and development" and in an obvious attempt to counter Yang's statement at the ARE, that "China sees all countries, big and small, as equals."¹⁶

However distrust between China and its neighbours remains. The arms race has continued unabated. Vietnam has continued a policy of what the Chinese call "internationalisation". Like Singapore, it encourages foreign navies to visit its port of Cam Ranh Bay for repairs to submarines and aircraft carriers.¹⁷ It has invited Indian companies to participate in energy exploration offshore. Indeed one Indian ship was warned by a Chinese naval vessel to leave what was termed Chinese waters even though it was well within 200 miles of the coast of Vietnam and hence technically within its EEZ.¹⁸ For their part, the Chinese denounced a live-fire exercise at sea by Vietnam as a military show of force. The Philippines have issued several diplomatic protests at alleged Chinese intrusions into waters that lie within "Philippine sovereignty and maritime jurisdiction", the latest being in January 2012.¹⁹

On the diplomatic front, however, all sides have sought to paper over the disputes with forms of accommodation. The Americans have played down the offer to facilitate multilateral negotiations in the knowledge that that would be unacceptable to China. The Chinese have made much of a further agreement regarding the Code of Conduct in the South China Sea by issuing new 'guidelines' together with ASEAN, but these too remain non-binding and vague. The ASEAN states have been careful to restrict the language of statements issued at the various meetings to unexceptional points about the desirability of seeking peaceful solutions.

Chinese suspicions of the United States were evident at the East Asian Summit meeting in Bali in November 2011, which was attended by President Obama in the last leg of his visit to the Asia-Pacific at the start of which he announced the US "pivot to Asia". Although no significant progress was made at the summit with regard to security and managing the disputes in the South China Sea, China's Premier, Wen Jiabao found that despite his opposition he had no alternative but to participate in a multilateral discussion on the South China Sea.²⁰ Notwithstanding some progress in the diplomacy surrounding the South China Sea, the pattern of growing friction between the fishing fleets and patrolling vessels

¹⁶ Storey, "China's Missteps in Southeast Asia".

¹⁷ *Ibid.*

¹⁸ J. Page and T. Wright, "India Faces Stand-off with China on Sea Oil", *Wall Street Journal*, 23 September 2011.

¹⁹ "Manila Protests Chinese Ships Presence in Spratlys", *Reuters*, 8 January 2012.

²⁰ J. Calmes, "Obama and Asian Leaders Confront China's Premier", *New York Times*, 19 November 2011.

combined with disputes and challenges over exploration and drilling rights for oil and gas continue unabated.

Conclusion

The heightened tensions in the South China Sea may be seen as the direct result of China's growing military power. It patrols the sea with increasing numbers of high-powered modern vessels. This is as true of the ships under the various Coast Guard commands as of the more visible naval and aviation capabilities of China's formal armed forces. China may have laid out its expansive claims in the South China Sea in previous decades, declaring that they were "indisputable", but it is only in recent years that China has acquired the wherewithal to enforce them against smaller and weaker neighbours.

The Chinese government has repeatedly insisted that it will negotiate sovereignty and jurisdictional disputes with other claimants on a bilateral basis only. After prolonged negotiations it eventually agreed with ASEAN in 2002 to sign a Code of Conduct for the South China Sea, acknowledging in principle that there was room for a multilateral (as opposed to a series of bilateral approaches) form of setting the rules for maritime conduct in the sea. But it has resisted all attempts to make the Code of Conduct legally binding. The Chinese side has not offered any proposals for settling the sovereignty disputes other than to suggest that they be put aside in order to carry out joint development in disputed waters. But little such work has actually been accomplished, in part because most of the proposed sites have been in areas claimed by others, which would enhance Chinese claims at their expense.

Growing Chinese preponderance has been the main reason why neighbouring maritime states such as Indonesia, Malaysia, the Philippines and Vietnam have all substantially increased their spending on weapons systems to defend, deter, or minimally raise the costs of possible Chinese attempts to assert their claims by force. ASEAN states have also intensified their traditional policy of encouraging the presence of external powers in the region in the expectation that they will balance off each other. To this end, they welcomed the Obama's administration "return" to Southeast Asia. The United States has declared that the freedom of navigation in the South China Sea is a "vital" interest and continues to assert its right to traverse China's EEZ with warships and planes, against Chinese objections with their singular interpretation of the relevant international law. The stage has been set for continuing tussles between China and the US over the balance of power in the region.

Whatever sense of relief China's maritime neighbours may feel about the apparent American willingness to resist possible Chinese dominance of the South China Sea, they are also alert to their need to have good working relations with China.

Their economies have come to be dependent on the complex chains of production that centre on China and also on having access to the Chinese market. In addition, they cannot afford to overlook the longer-term strategic significance of having a mighty China as a permanent close neighbour. The balance they must draw is therefore a delicate one.

An issue for China is whether its leaders will be able to see beyond their self-centred nationalist discourse of victimhood and develop a more enhanced appreciation of their neighbours' sense of national identity so as to reduce distrust and create a framework in which the disputes in the South China Sea can be addressed in a less confrontational way. It is incumbent on the Chinese, for example, to be more precise in their claims and to put forward ideas as to how the Code of Conduct for the South China Sea could be made more workable in practice. Ideally, the Chinese should be expected to suggest on what basis its "indisputable disputes" might be settled.

Meanwhile incidents between various fishing fleets continue to take place and the Chinese continue to try and prevent oil companies from looking for energy sources off the coasts of other littoral states. The opportunities for an escalation of an incident into greater conflict exist, especially as China's various fleets do not appear to be subject to proper command and control. A greater US naval presence may have a sobering effect, but in the event of a conflict breaking out, the United States would face a dilemma of intervening with adverse consequences for its relations with China, or abstaining and thereby undermining its credibility in the region as a hedge against China.

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