

China Not Leaving the “South China Sea”

Peter Lee

America is learning that the South China Sea is called the South "China" Sea for a reason, despite patriotic efforts in various nations to rename it the "West Philippine Sea" or "East Vietnamese Sea".

At his [press conference](#) on the sidelines of the National People's Congress, PRC Foreign Minister Wang Yi declared:

"China was the first to discover, name, develop, and administer the various islands of the southern seas. Our ancestors have tilled those fields and toiled there amid hardships for generations. We know this place and love this place better than anyone else, and more than any other people we wish for the peace and stability of the southern sea and freedom of navigation."

Wang Yi's flowery rhetoric about China's sole historical claim to all the islands of the southern seas and their development is ahistorical nonsense.

But the second part, about the PRC's paramount interest and growing predominance in the South China Sea is closer to the truth. This is because the PRC is spending a lot of money, effort, and diplomatic capital to make it true.

The People's Republic of China sails through the South China Sea, flies through it, fishes in it, erects towns and airfields, sends in cruise ships and commercial jet liners on regular

schedules, patrols it with an armada of coast guard and naval vessels, maintains forward military bases in it, builds faux islands in it, occasionally prospects with in it with its massive semisubmersible drilling rig, dots it with radar stations and lighthouses, relies for it as a vital energy corridor...

For the United States, the South China Sea seems to exist as a blank slate upon which the US seeks to project its narratives amid an intensifying geostrategic competition with the PRC.

Take the immense uproar in January-February 2016 over the PRC placing surface to air missiles "in the South China Sea". The report was floated by a source at the Department of Defense through Fox News, endorsed by a spokesman for Taiwan's Ministry of National Defense, and was the impetus for a global round of hysterics predicated on the claim that the PRC was repudiating Xi Jinping's pledge not to militarize islands in the South China Sea and was escalating "tensions" in the SCS.

As it transpired, the surface to air missiles (whose deployment the PRC never confirmed) were sighted on Woody Island. Woody Island is a real island in the Paracels, an archipelagic cluster near Hainan seized from Vietnam in 1974. There's been an airfield on the base for decades, the PRC expanded it in the last year to host fighter jets on cyclical deployments (permanent basing perhaps exposes the airframes to too much salt-air corrosion) and, indeed, the Admiral of the US Pacific Fleet [acknowledged](#) that the PLA put surface to air missiles on Woody Island at least two times previously without the US government raising

any objections.

The PRC will never enjoy legal sovereignty over the Paracels since Vietnam will never formally cede them, but Vietnam has swallowed its choler enough to explore joint demarcation marine boundaries with the PRC that de facto acknowledge that the PRC has got the Paracels and isn't giving them back.

And, when Xi Jinping visited the US in September 2015, he stated China "did not intend" (something less than a pledge, despite some misreporting of his remarks) to militarize the Spratlys, which is the collection of virtually uninhabitable sandbars, reefs, and atolls whose sovereignty is claimed and disputed by almost all countries neighboring the South China Sea and serves as the focus of the PRC's island-building outrages. He made no pledges, statements of intent, or other representations about the Paracels.

Woody Island is a good 500 miles from Fiery Cross Reef, the enhanced atoll in the Spratlys whose PRC-constructed airfield has occasioned so much dismay and concern.

Indeed, it transpired that the Obama administration was aware of the distinction, as the National Security Council's Dan Kritenbrink, Senior Director for Asian Affairs, tacitly acknowledged when he subsequently [urged](#) extension of the non-militarization pledge to cover the entire South China Seas as well as the Spratlys. The Pentagon, I suspect, was aware of the distinction but not particularly interested in respecting it, particularly if floating the missile story served to diminish the stature of President Obama's ASEAN summit and the relatively conciliatory diplomacy that underpinned it.

Therefore, PRC Foreign Minister Wang Yi understandably responded to the surface-to-air missile frenzy [by chastising the media](#) for hyping the story. Unspoken was the PRC's bemusement that the Western media had, out

of ignorance or malice, run with this tale and the Obama White House, blindsided by the Pentagon, had let the firestorm rage instead of knocking it down.

The lesson of this affair is that the South China Sea is a remote body of water that Americans know little about and understand less. US China hawks have exploited this information deficit ever since Secretary of State Hillary Clinton rolled out the "pivot to Asia" in 2010, justifying the US injection into the South China Sea issue as a matter of ensuring freedom of navigation in a vital commercial sea lane in the global commons.

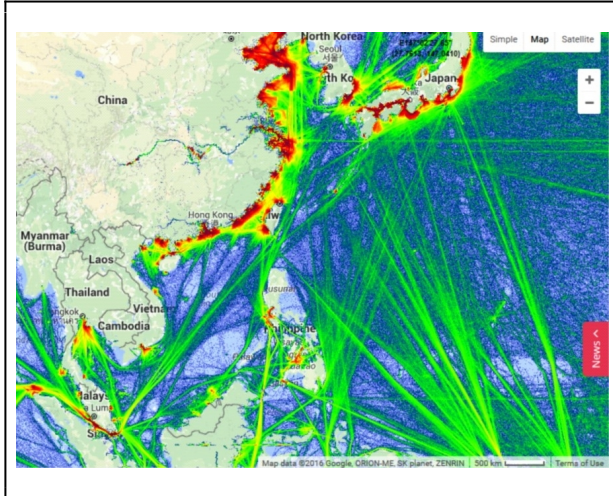
It is taken as self-evident that the South China Sea is indispensable to world commerce because "over \$5 trillion dollars" worth of goods, including the bulk of Japanese energy supplies, pass through the SCS.

Admiral Harris [invoked](#) the \$5 trillion dollar figure in his recent testimony before the Senate Armed Services Committee. Western media reports reproduce it almost as a mandatory piece of journalistic boilerplate when covering the South China Sea.

However, the awkward fact is that the only major power with a vital strategic interest in Freedom of Navigation in the South China Sea is the People's Republic of China.

The website of [Marine Traffic](#), provides some interesting perspective with its mapping of real time and historical ship movements.

Here is the "density map" displaying aggregate movements along the busiest shipping routes (green lines) and in the busiest ports (red blobs) in and around the South China Sea:



Note several features of the marine traffic in the South China Sea. First, much of it goes, unsurprisingly, to the Peoples Republic of China and Hong Kong. Second, Vietnam, Indonesia, Taiwan, and the Philippines are largely served by coast-hugging routes outside the PRC's dreaded Nine-Dash-Line.

Third, the rest of the traffic that transits the SCS pretty is headed for Japan and South Korea. This would seem to support the perception that the economies and national security of Japan and South Korea, core US allies, require assurances against Chinese interdiction of their energy supplies in the South China Sea.

Not quite.

The strategic insignificance of the South China Sea to Japan and the Republic of Korea has been well known since the 1990s, when "energy security" became an explicit preoccupation of Japanese planners.

In 2005, Australian security analyst Euan Graham addressed the issue in his *Japan's Sea Lane Security: A Matter of Life and Death?*

The cost to Japan of a 12-month closure of the South China Sea, diverting oil tankers via the Lombok Strait and east of the

Philippines, has been estimated at \$200 million. A Japanese estimate puts the cost as basically the same to that imposed by a closure of the Malacca Strait, requiring 15 additional tankers to be added to the route, generating an extra \$88 million in shipping costs. This is roughly corroborated by the reported findings of a joint study conducted by the JDA and the Indonesian authorities in the late 1980s, which put the number of extra tankers required to divert around the South China Sea via Lombok and east of the Philippines at 18.

...The volume of oil shipped to Japan from the Middle East is evenly split between Lombok and the Straits of Malacca...

What does two extra days on the water mean? In his book, Graham provides a dollar figure:

...Based on an oil import bill of \$35 billion in 1997, [a cost of \$88 million for diverting through Lombok] accounts for 0.3% of the total.

To update these figures, in an environment of crashing oil prices and spiking shipping rates (as importers rush to obtain cheap supplies and even store them on tankers until onshore facilities open up), assume \$30/barrel crude plus \$3/barrel shipping costs. Japan imports about 2 billion barrels per year. That's \$6 billion dollars. If we assume the Lombok route adds 10% or \$0.30/barrel to the shipping cost, that's another \$600 million dollars against \$60 billion in total crude costs. 1%. By coincidence, \$600 million is also about 1% of the annual Japanese defense budget. Japan's GDP: \$4 trillion dollars.

So is the threat of closure of the South China Sea an existential threat to Japan requiring a military response? One Japanese authority doesn't believe so.

CSD [Collective Self Defense] will not allow minesweeping ops in SCS/Malacca Strait as unlike Hormuz there are alternative routes.

That's a statement that Prime Minister Abe Shinzo made in the Diet, as reported on Corey Wallace's Twitter feed.

Republic of Korea imports less than 1 billion barrels per annum. Cost of the Lombok detour: maybe \$270 million.

In summary, the Malacca/South China Sea route from the Persian Gulf to Japan and South Korea is preferred as the straightest, cheapest, route for crude oil. In fact, ship owners looked at the economics and decided to defer construction of "postMalaccamax VLCCs" (Very Large Crude Carriers) in favor of smaller tankers in order to preserve the option of going through the Malacca Strait and South China Sea.

But if the South China Sea route is obstructed, they can always go via Lombok and the Makassar Sea. Its just a little bit more expensive.

So, the South China Sea is not a critical sea lane for our primary North Asian allies Japan and the Republic of Korea.

As for Australia, the fourth point (together with Japan, India, and the United States) in the emerging Asia Pacific security "diamond", Graham stated in his book:

Iron ore and coke shipments from Australia account for most of the

cargo moved through the Lombok Strait...Lombok remains the principal route for bulk carriers sailing from Western Australia to Japan.

Australian resource exports bypass the South China Sea already.

As to the South China Sea factor, Sam Bateman, a retired Royal Australian Navy commodore now working in a think tank in Singapore, [debunked](#) claims of the crucial strategic character of the South China Sea to Australia:

Bonnie Glaser has recently claimed that approximately 60 per cent of Australia's seaborne trade passes through the South China Sea...

When measured by value, the figure of 60% of our seaborne trade passing through the South China Sea is way off the mark. Based on the latest data for Australia's overseas trade, it mightn't even be half that-and about three-quarters of it would be trade to and from China. Thus the notion of a threat to our seaborne trade from China is rather a non sequitur.

In other words, approximately 7.5% of Australia's total seaborne trade by value passing through the South China Sea isn't going to the PRC. That represents perhaps A\$40 billion, about half of which is back and forth with Singapore, which could be end-arounded by entering the Malacca Strait from the west and avoiding the South China Sea completely. So perhaps A\$ 20 billion is theoretically at risk in the unlikely event that the PRC decided to close the SCS completely to

Australian shipping. By contrast, Australian two way trade with the PRC is A\$152 billion.

It should be clear by now that the South China Sea as a commercial artery and as an energy import channel matters much more to China, than it does to Japan, South Korea, Australia, and the United States. Indeed, the primary global strategic significance of the South China Sea is not as a vulnerable artery for global commerce; it is as a vulnerable bottleneck for Chinese energy imports.

America's interest in confronting the PRC in the South China Sea predates any Xi Jinping-related arrogance, expansionism, and island-building, indeed it predates the appearance of any PRC Navy worthy of consideration. It can be traced to the Office of Net Assessment's 2004 report prepared via Booz, Hamilton for Donald Rumsfeld, Energy Futures in Asia. As I do not believe that report has been declassified, interested readers can check a 2010 paper from the US Naval War College titled [China's Oil Security Pipe Dream](#).

The PRC has been aware of the US government's interest in the possibility of interdicting PRC energy imports at the Malacca Straits/South China Sea chokehold for many years, and has poured billions of dollars into establishing less vulnerable alternatives for meeting its requirements, through the filling of strategic oil reserves, its ongoing pipeline projects with Russia and energy producers in Central Asia, initiatives to diversify supply lines for Gulf oil with oil and gas pipelines from Burma to Yunnan, and the risky bet on a "China Pakistan Economic Corridor" keyed to the port at Gwadar and crossing the Himalayas to Kashgar

As these massive and risky alternative expenditures by the PRC-and the complete absence of plausible threats to Japan, South Korea, and Australia interests-indicate, the only genuine role the South China Sea played as a strategic chokepoint worthy of US interest is

against the PRC.

The PRC has accused the United States of maliciously meddling in the South China Sea not to secure and stabilize an important global commons but to polarize relations between the PRC and its neighbors and create an opening for strategic military cooperation with the Philippines and Vietnam, a point of view I am inclined to agree with.

This state of affairs is probably better appreciated by China's local trading partners in Australia, South Korea, and Japan than it is in the United States, and governments there are faced with the awkward question of how far to go with "upholding international norms" and "alliance service", i.e. supporting a U.S. containment strategy by antagonizing the PRC over the South China Sea, a body of water whose control is not a matter of existential interest to them, but is to China.

As the PRC responds to US opposition and ASEAN anger and dismay not by retreating, but by accelerating its development of civilian and dual use infrastructure on its holdings and ramping up its naval and coast guard presence, the realization of the situation seems to be sinking in in the US public sphere as well.

If anybody entertained the wishful thinking that the PRC would respond to the widely expected ruling against its Nine Dash Line at arbitration in The Hague by rolling over for the Philippines and the United States, [those dreams are pretty much over](#).

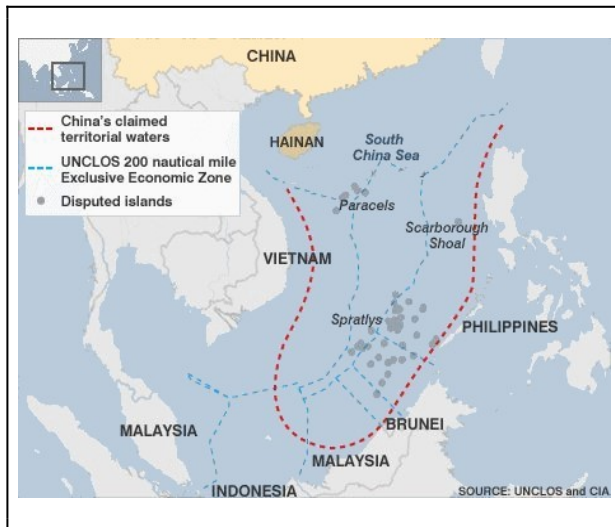
At his press conference, Foreign Minister Wang Yi [employed a litany of pejoratives](#) to characterize the Philippines--"unlawful, unfaithful and unreasonable"-the role of the (unnamed) United States-" behind-the-scenes instigation and political maneuvering"-and the arbitration process itself-" tainted and gone astray, and China is not going to humor it".

Separately and perhaps significantly, Wang

addressed the most contested issue in the South China Sea-the Spratly Islands-by drawing the PRC's line in the sand:

The Spratly Islands are China's inseparable territory. Descendants of the Yellow Empire all have the duty to protect this land.

Wang concluded with the statement "The PRC has never and will not make any new territorial demands". Beyond the unfortunate echoes of Neville Chamberlain, I believe Wang's words may have been intended as a signal that the PRC regards it infeasible to try to assert an extremely unpopular claim to exclusive sea rights in the contested regions of the SCS if, as expected, the cartographic embarrassment of the Nine Dash Line is declared invalid, especially since hawks in the United States Navy [dream](#) of standing between the PRC and the UNCLOS victors seeking to reap the bounty of their expansive South China Sea EEZs.



If the PRC focuses on asserting its territorial (as opposed to maritime) position in the South China Sea, it will have ample resources for mischief even if the international consensus to order the South China Sea maritime domain on the basis of UNCLOS prevails.

The PRC can insist on its territorial claims to the various natural and man-made islands and LTE (low tide elevation i.e. covered at high tide) features that it holds or desires, leaving no recourse for other claimants short of military action to evict China from them.

UNCLOS does not cover disputes over sovereignty of islands and indeed there is no accepted international treaty or mechanism for resolving these disputes. And once sovereignty is asserted, even over uninhabitable features, territorial seas can be claimed and sometimes Exclusive Economic Zones as well to a ridiculous degree. The most notorious instance of this practice is [Okinotorishima Island](#), a tiny above-water lump of coral in the Pacific that Japan secured at the cost of over half a billion dollars, and, on this basis, claimed a 200 nautical mile EEZ.

If the PRC inserts fresh territorial, territorial sea, and EEZ claims into the dispute, maps of the South China Sea, which were never particularly straightforward to begin with, are going to get even more complicated.

A current concern is that the PRC may punish the Philippines for any UNCLOS setbacks by developing and permanently occupying the Scarborough Shoal as an island feature. The shoal is a rich fishing ground that is well within any conceivable Philippine EEZ demarcation and is far away from the PRC. Access to the fishing grounds within the shoal is currently controlled by PRC vessels provoking great anxiety and nationalist resentment in the Philippines.

The Chinese government is perhaps looking at the Aegean Sea dispute between Greece and Turkey-a largely frozen conflict that has persisted for forty years-as a precedent for a disputed but de facto functional maritime regime in the South China Sea.

PRC strategists are probably well aware that switching to a territorial instead of maritime

focus threatens to dash the hopes of US Navy hawks hoping to force the PLAN into a humiliating confrontation that directly repudiates grandiose PRC claims to sovereignty within the Nine Dash Line.

The US Navy already had its work cut out for it on maritime matters since UNCLOS allows for no enforcement mechanism and, even if the United States wanted to step up and enforce the judgment in its role as benevolent hegemon, it is not even a signatory to the treaty it would be purporting to enforce.

As for territorial disputes, the United States has a long-standing policy, which is close to iron-clad, of not taking positions on sovereignty disputes. Indeed, the default preference of the United States is to "preserve the status quo", which would make evicting the PRC from the islands and structures it currently occupies extremely awkward, if not impossible.

The combination of PRC actions, investment, and rhetoric, and an apparent local unwillingness to walk the walk on confronting the PRC in the SCS, seems to be convincing US observers that the PRC isn't going anywhere.

A recent New York Times article was titled: [South China Sea Buildup Brings China Closer to Realizing Control](#). It concludes:

The Obama administration has struggled, however, to come up with a policy to slow or stop what it has called China's militarization of the South China Sea...

In recent months, the Pentagon has also stepped up "freedom of navigation" patrols in the South China Sea, sending United States warships and aircraft into territory claimed by Beijing to assert Washington's view that these areas remain international waters and

airspace.

But China has responded by using the patrols to argue that it is the United States that is militarizing the South China Sea - and by continuing to build.

"China was the first country to discover, name, develop and manage the South China Sea islands," the Chinese foreign minister, Wang Yi, told a news conference on Tuesday. "History will prove who is a mere guest and who is a real host."

Of course, the US Navy isn't going anywhere either.

If the US wishes to evict the PRC from the South China Sea, it will have to consider stronger, more dangerous, and politically and diplomatically less palatable measures-and a more convincing menace than an imputed PRC threat to commercial freedom of navigation, or even as antagonist to the international norms and laws represented by the UNCLOS ruling.

The US military is now shifting the terms of debate from the shaky premise that the PRC presence in the South China Sea is a threat to global commerce and the world order to a somewhat more realistic anxiety that the PRC will, in the near future, possess sufficient military assets in the South China Sea to challenge and in theory impede or deny military maritime and aviation traffic by other nations.

This strategy is encapsulated in the continued alarms that the PRC is "militarizing" the South China Sea, an accusation that the PRC, particularly after the US Navy sailed a carrier battle group through the SCS in early March 2016, is not inclined to take seriously.

The focus on "militarization" is exemplified by warning the PRC not to announce a South China Sea Air Defense Identification Zone or ADIZ, which would require aircraft flying near and toward the PRC (including its contested SCS facilities) to identify themselves and state their intentions. To knock down a frequently stated canard, an ADIZ is not a declaration of territorial airspace and the ADIZ of various nations can overlap, as the PRC and ROK ADIZs overlap in the East China Sea. One might think that the SCS, with growing military traffic by hostile powers, sorely needs an ADIZ to prevent misunderstandings, incidents, and escalation, but China hawks will try to advance the argument that in this case, as in many matters involving the South China Sea, ordinary logic simply doesn't apply.

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Peter Lee writes on East and South Asian affairs and their intersection with US global policy. He is the moving force behind the Asian affairs website [China Matters](#) which provides continuing critical updates on China and Asia-Pacific policies. His work frequently appears at [Asia Times](#).