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## RISING TENSIONS IN THE SOUTH CHINA SEA: IMPLICATIONS

### Abstract

The paper seeks to assess the reasons behind rising tensions in the South China Sea and its implications. It finds that geopolitical significance, abundance of energy resources and fisheries are some of the factors responsible. The rebalance strategy of the United States (US), China's strategic posture and involvement of claimant and non-claimant actors have intensified tensions by ongoing militarisation in the region. In addition, the dispute has direct impacts on energy security and depletion of fish stocks. It also affects the regional and international order by questioning the efficiency of the Association of Southeast Asian Nations (ASEAN) and the United Nations (UN) to address the tensions properly. However, by analysing the threat potentials, the paper argues that though there is a significant chance of conflict, the claimant parties - China and the US would not involve in any major military confrontation that would hamper their stable working relationship.

### 1. Introduction

Territorial and maritime disputes in the South China Sea have long been one of the most critical and complex issues of security between Southeast Asian countries and China or more broadly in the entire Asia-Pacific region.<sup>1</sup> The dispute involves the overlapping claims of six countries – China, Taiwan, Vietnam, Philippines, Malaysia and Brunei - to territorial sovereignty and maritime claims. The situation is further complicated by the presence of non-claimant actors.<sup>2</sup> The South China Sea is a strategic node, not only for its busy shipping lanes, but also because of its substantial fish stocks and potential hydrocarbons and mineral wealth. Securing this wealth provides a considerable incentive for all the littoral states to stake claims in the region.<sup>3</sup> Notably, in recent years, the contest over the islands, reefs and waters of the South China Sea has garnered more attention than any other international maritime disputes. Moreover, the recent ruling by the Permanent Court of Arbitration (PCA) in

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<sup>1</sup> Tomotaka Shoji, "The South China Sea: A View from Japan", *NIDS Journal of Defense and Security*, No.15, December 2014, p. 127.

<sup>2</sup> In the South China Sea, the actors who have a non-native title interest to the area (e.g., Australia, India, Indonesia, Japan, Singapore, South Korea and the US).

<sup>3</sup> Sarah Raine and Christian Le Miere, *Regional Disorder: The South China Sea Disputes*, Adelphi Books, The International Institute for Strategic Studies, 2013, p. 30.

favour of the Philippines in its dispute with China over some of the islands in the South China Sea has fuelled new tensions. Robert Kaplan has characterised the South China Sea as “the future of conflict”.<sup>4</sup> Other analysts describe this body of water as “crucible for the unfolding geopolitics of Southeast Asia”, which has the potential to “influence the evolving balance of power in the region and perhaps even the prospects for peace in the Asia-Pacific region in the twenty-first century”.<sup>5</sup> Surin Pitsuwan has dubbed the dispute “Asia’s Palestine”,<sup>6</sup> while former Australian Prime Minister Kevin Rudd refers to the South China Sea as a “tinderbox on water” and a “maritime Balkans of the 21<sup>st</sup> century”.<sup>7</sup>

The implications of this ongoing dispute can be seen with the escalation of Pacific rivalry in this region and beyond. The territorial disputes in the South China Sea are a source of tension and potential conflict between China and other countries in the region. The extension of great power influence of non-claimant actors including the US and China’s claim on almost all over the South China Sea has made this area a place of contention and militarisation. In addition to strategic rivalry, the competition over resources and impacts on international and regional order cannot be ignored.

Against this backdrop, this paper addresses two research questions: Why is there a rising tension in the South China Sea? And what are the impacts of this rising tension? To answer the research questions, the paper is divided into five sections. After introduction, the second section deals with geo-political significance of the South China Sea. The third section details out the overview of the dispute including competing claims and recent events. The fourth section analyses the implications of rising tensions followed by conclusion in section five. The methodology followed in this paper is qualitative in nature based on primary and secondary data. This paper reviews literature comprised of books, journals, news clipping, seminar papers and internet based articles etc. Besides, it includes data and ideas collected from expert interviews. The paper limits incorporating data no later than 30 July 2016.

## 2. Geo-political Significance of the South China Sea

The South China Sea comprises a stretch of roughly 1.4 million square miles in the Pacific Ocean that encompasses an area from Singapore and Malacca Straits to the Strait of Taiwan, spanning west of the Philippines, north of Indonesia and east of Vietnam (See Figure 1).<sup>8</sup> The South China Sea islands number in the hundreds in which the largest and most contentious territories include the Spratly Islands, the Parcel Islands, the Pratas Islands, the Macclesfield Bank and Scarborough Shoal, to

<sup>4</sup> Robert D. Kaplan, “The South China Sea is the Future of Conflict”, *Foreign Policy*, 15 August 2011.

<sup>5</sup> Sarah Raine and Christian Le Miere, *op. cit.*, p. 179.

<sup>6</sup> Ben Bland, “Diplomat Warns over Asia’s Palestine”, *Financial Times*, 28 November 2012.

<sup>7</sup> Kevin Rudd, “A Maritime Balkans of the 21<sup>st</sup> Century”, *Foreign Policy*, 2013.

<sup>8</sup> Sidra Tariq, “The South China Sea: A New International Hotspot”, *Institute of Regional Studies*, Vol. XXXII, No. 3, 2014, p. 5.

which all of the six major Southeast Asian nations lay various claims. The islands are mostly uninhabited and have never had an indigenous population, making the issue of historical sovereignty a difficult one to resolve.<sup>9</sup>

**Figure 1: Geographical Position of the South China Sea**



Source: US Energy Information Administration (EIA), 2013.

Robert Kaplan identifies the South China Sea as the throat of the Western Pacific and Indian Oceans.<sup>10</sup> It is one of the world's busiest international sea-lanes. As much as 50 per cent of global oil tanker shipments pass through it.<sup>11</sup> According to the US Energy Information Administration (EIA), the oil transported through the Malacca Strait from the Indian Ocean, en route to East Asia through the South China Sea, is triple the amount that passes through the Suez Canal and fifteen times the amount that transits the Panama Canal.<sup>12</sup> More than half of the world's top ten shipping ports are located in and around the South China Sea, according to the International Association of Ports and Harbours.<sup>13</sup> Oil imported by Japan, South Korea, Taiwan and southern China is shipped through the Malacca Strait and the South China Sea, giving it a special strategic significance.<sup>14</sup> Countries with major shipping and naval interests

<sup>9</sup> Beina Xu, "South China Sea Tensions", *Council on Foreign Relations*, 2014.

<sup>10</sup> Robert D. Kaplan, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific*, USA: Random House, 2014, p. 9.

<sup>11</sup> David Rosenberg, "Governing the South China Sea: From Freedom of the Seas to Ocean Enclosure Movements", *Harvard Asia Quarterly*, Vol. XII, No. 3 & 4, Winter 2010.

<sup>12</sup> "World Oil Transit Chokepoints", *Analysis Brief*, US Energy Information Administration (EIA), Washington DC, 2012.

<sup>13</sup> Xu, *op. cit.*

<sup>14</sup> Tariq, *op. cit.*, p. 6.

such as the US and Japan mainly want to maintain freedom of navigation through the straits and sea lanes of the South China Sea for their oil tankers, container ships and naval vessels.<sup>15</sup>

In addition, the South China Sea has enormous potentials for oil and gas resources. The World Bank estimates that the South China Sea holds proven oil reserves of at least seven billion barrels and an estimated 900 trillion cubic feet of natural gas which offer tremendous economic opportunity and energy security for China, Malaysia, the Philippines and Vietnam.<sup>16</sup> If Chinese calculations are correct that it will ultimately yield 130 billion barrels of oil, then the South China Sea contains more oil than any area of the globe except Saudi Arabia. In fact, some Chinese observers have called this Sea “the second Persian Gulf”.<sup>17</sup> With rising global energy demands, competition for potential hydrocarbon reserves in the South China Sea has exacerbated.<sup>18</sup>

Geology and climate have combined to produce a remarkable amount of biological diversity in the South China Sea. It has numerous archipelagoes, islands and peninsulas, abundance of coral reefs, seasonally reversing monsoon winds and underwater currents, all combining to produce exceptionally favourable conditions for a fertile marine ecosystem.<sup>19</sup> Over thirty per cent of the world’s coral reefs border the South China Sea. Coral reefs are the foundation of an aquatic food chain; they provide a habitat for the highest biological diversity in the world. The reefs support several thousand different species of organisms and play an important part in buffering wave impact on beaches which reduce erosion.<sup>20</sup>

Besides, the flat and shallow seabed of the South China Sea is among the world’s most productive fishing grounds.<sup>21</sup> It is the home of over 3,000 indigenous and migratory fish species, comprising some 12 per cent of the total global fish catch.<sup>22</sup> It is more crucial for Asia, as fish accounts for 22 per cent of the protein intake in the region, compared to a global average of only 16 per cent.<sup>23</sup> Notably, China is the largest consumer and exporter of fish in the world and is expected to account for almost 40 per cent of global fish consumption by 2030. The fishing industry is also crucial to other claimant parties. Therefore, fishing has played a vital role in asserting claims to maritime rights in the South China Sea.<sup>24</sup>

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<sup>15</sup> Rosenberg, *op. cit.*

<sup>16</sup> Xu, *op. cit.*

<sup>17</sup> Kaplan, *op. cit.*

<sup>18</sup> Tariq, *op. cit.*, p. 16.

<sup>19</sup> Rosenberg, *op. cit.*

<sup>20</sup> *Ibid.*

<sup>21</sup> David Rosenberg, “Fisheries Management in the South China Sea”, in Sam Bateman and Ralf Emmers (eds.), *Security and International Politics in the South China Sea: Towards a Cooperative Management Regime*, Routledge, 2009, p. 62.

<sup>22</sup> Captain Adam Greer, “The South China Sea is really a Fishery Dispute”, *The Diplomat*, 10 July 2016.

<sup>23</sup> *Ibid.*

<sup>24</sup> Tariq, *op. cit.*, p. 17.

### 3. Overview of the Disputes

#### 3.1 *Competing Territorial and Maritime Claims*

Before discussing the competing territorial and maritime claims in the South China Sea, certain legal provisions are relevant. The primary instrument for delimiting and regulating claims of sovereignty and rights at sea is the United Nations Convention on the Law of the Sea (UNCLOS).<sup>25</sup> The Convention states that all coastal states have the right to a territorial sea<sup>26</sup> extending out 12 nautical miles (nm) from agreed baselines and an Exclusive Economic Zone (EEZ)<sup>27</sup> extending 200 nm from agreed baselines.<sup>28</sup> It is noteworthy that territorial seas and EEZs can extend not just from a coast-line but also from islands.<sup>29</sup> In addition, any state to claim sovereignty over any land that is discovered must provide evidence of permanent settlement.<sup>30</sup>

In the South China Sea, six countries – China, Taiwan, Vietnam, Philippines, Malaysia and Brunei - contest land features and maritime zones extending from three archipelagos plus the Macclesfield Bank and Scarborough Shoal.<sup>31</sup> China's claim is defined by a 'nine-dash line'.<sup>32</sup> Figure 2 shows the overlapping sovereignty claims in the South China Sea, with China's claims according to the nine-dash line doctrine in red. The nine-dash line first appeared on Chinese maps in 1947 when the Kuomintang government by Chiang Kai-shek drew an eleven-dash line around the sea and around the islands that China claims are under its sovereignty. When the Chinese Communist Party gained control of China, they kept the line but changed it into nine dashes instead of eleven dashes.<sup>33</sup>

China's claim originates from its understanding that the South China Sea constitutes territory over which China has historically held sovereign jurisdiction. In its Position Paper published in 2014, China states that Chinese activities in the

<sup>25</sup> The United Nations Convention on the Law of the Sea (UNCLOS) is the international agreement that resulted from the third United Nations Conference on the Law of the Sea, which took place between 1973 and 1982. The Law of the Sea Convention defines the rights and responsibilities of nations with respect to their use of the world's oceans, establishing guidelines for businesses, the environment and the management of marine natural resources.

<sup>26</sup> The territorial sea is essentially a sovereign territory. The coastal state can set laws regulating maritime traffic and exploit all resources within or underneath the seas. In addition, foreign naval vessels may only be in these waters by agreement or if undergoing innocent passage, while submarines must transit territorial waters surfaced and with their flag showing.

<sup>27</sup> In the EEZ, the coastal state has the sovereign rights to explore, exploit, conserve and manage all sea and undersea resources, but does not exercise sovereignty over the territory. Besides, a state does not have exclusive rights to survey or conduct military or reconnaissance missions within its EEZ.

<sup>28</sup> Article 3 and Article 57, UNCLOS.

<sup>29</sup> Article 121, UNCLOS.

<sup>30</sup> Weifeng Zhou, "China's Growing Assertiveness in the South China Sea", *Autonomous University of Madrid*, 2015.

<sup>31</sup> Leszek Buszynski and Christopher B. Roberts (eds.), *The South China Sea Maritime Dispute: Political, Legal and Regional Perspectives*, Routledge, 2014.

<sup>32</sup> Raine and Miere, *op. cit.*, p. 17.

<sup>33</sup> Mohan Malik, "History the Weak Link in Beijing's Maritime Claims", *The Diplomat*, 30 April 2013.

South China Sea date back to over 2000 years ago with China being the first country to discover, name, explore and exploit the resources of the South China Sea islands and the first to continuously exercise sovereign powers over them.<sup>34</sup> Ancient maps and official records also indicate that China's sovereignty over the South China Sea can be taken back to the Han (206-220 AD), Tang (618-906 AD), Song (960-1279 AD) and Ming (1368-1644 AD) dynasties. Thus, China's sovereignty claims mainly rely on historical discovery, occupation and governance.<sup>35</sup>

China currently has two domestic laws that build upon this historical justification. The 1992 Law of the People's Republic of China on the Territorial Sea and the Contiguous Zone claims sovereignty over all of the island groups in the South China Sea. These laws suggest that because the islands are sovereign, the area around them also falls under Chinese sovereignty, creating a *de facto* territorial sea. The second law, the 1998 Law of the People's Republic of China on the EEZ and Continental Shelf, states that legal developments shall not affect the historical rights of the People's Republic of China.<sup>36</sup>

There are, however, scholars who are critical of China's approach. According to Leszek Buszynski, "China's claim is based on history but such claims do not carry much weight in International Law".<sup>37</sup> Fravel opines that the nine-dash line to this date remains undefined.<sup>38</sup> Tariq argues that things have changed in the region since 1948 when China issued its nine-dashed line. Regional governments are now free from colonial control and have achieved significant political and economic stability in the last few decades. And since the Second World War, the rules of international law have evolved greatly and all the states in the region including China are bound to the international system.<sup>39</sup> Buszynski<sup>40</sup> also pointed out that many of the land features that China claims in the South China Sea would not qualify as islands under Article 121(3) of UNCLOS<sup>41</sup> and thus could not serve as the basis for a claim to an EEZ. Besides, the UNCLOS requires that states resolve disputes when EEZ claims overlap. Fravel further observes that another source of ambiguity is the question of historic rights that China claims in the South China Sea. Although some Chinese policy analysts have suggested that the South China Sea are historic waters, the 1998 EEZ law did not define the content or spatial scope of these historic rights. No other Chinese law has described what these rights might encompass.

<sup>34</sup> "Understanding China's Position on the South China Sea Disputes", *Institute for Security and Development Policy (ISDP)*, Stockholm, June 2016, p. 8.

<sup>35</sup> Zhou, *op. cit.*

<sup>36</sup> Lynn Kuok, "Tides of Change: Taiwan's Evolving Position in the South China Sea", *East Asia Policy Paper 5*, Brookings, May 2015.

<sup>37</sup> Leszek Buszynski, "The South China Sea: Oil, Maritime Claims and US-China Strategic Rivalry", *Washington Quarterly*, Vol. 35, No. 2, 2012, p. 140.

<sup>38</sup> M. Taylor Fravel, "China's Strategy in the South China Sea", *Contemporary Southeast Asia*, Vol. 33, No. 3, 2011, p. 295.

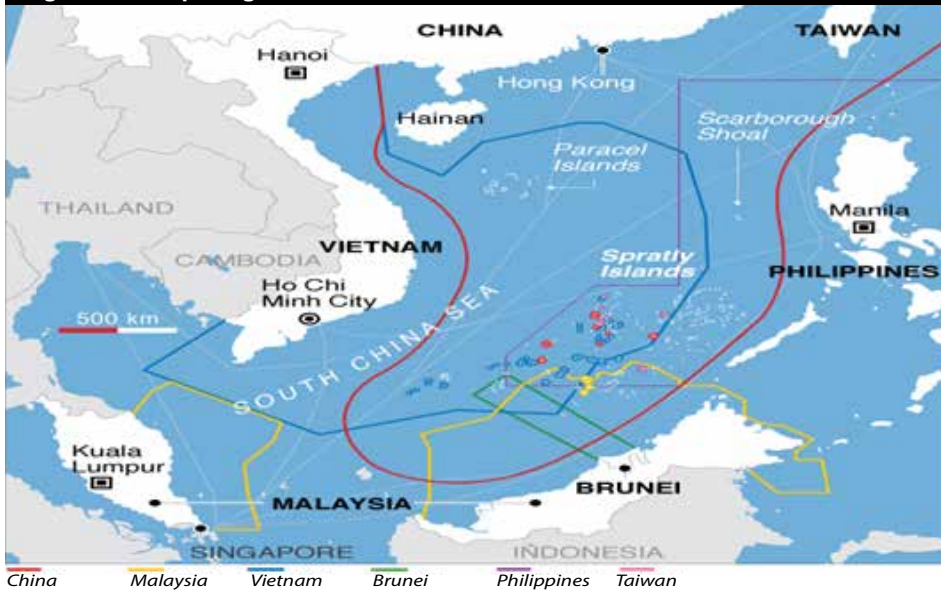
<sup>39</sup> Tariq, *op. cit.*, pp. 8-9.

<sup>40</sup> Buszynski, *op. cit.*

<sup>41</sup> Article 121(3) of UNCLOS states that Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.

Nevertheless, China continues to defend its position by reiterating that its historic rights in the South China Sea are rooted in its historical development as well as in its sovereign and jurisdictional practices, while China’s EEZs and the continental shelf sovereign rights are based on the 1982 UNCLOS. The former echoes the extension of the government and state inherited rights while the latter mirrors the modern marine legal system. The South China Sea issue comprises multiple facets *vis-a-vis*, history, diplomacy, politics, economy, military and legitimacy. Therefore, the UNCLOS cannot be the only solution to these disputes. The affairs that are not clearly defined by the UNCLOS do not find applicability in the general principles and provisions of the International law.<sup>42</sup>

**Figure 2: Competing Territorial and Maritime Claims in the South China Sea**



Source: Voanews, 2012.

Taiwan, like China, claims all of the Spratly Islands, but only occupies Itu Aba (Taiping Dao), the largest of the Spratly archipelago.<sup>43</sup> Vietnam claims territorial sovereignty over the Paracel and Spratly Islands within the South China Sea. It also claims a 200-nm EEZ from its coast and in two parts of the South China Sea, a longer extended continental shelf as permitted by the UNCLOS.<sup>44</sup> The Philippines claims Scarborough Reef and the Kalayaan Island group, both of which are in the eastern

<sup>42</sup> Hou Yi, “Brief Understanding of the South China Sea Intermittent line and China’s Relations with its Neighbours Surrounding the South China Sea”, Serial No. 111, Peace, June 2014, Chinese People’s Association for Peace and Disarmament, Beijing, cited in Tariq, *op. cit.*

<sup>43</sup> Song, “Conflicting Outer Continental Shelf Claims in the East and South China Seas: Proposals for Cooperation and Peaceful Resolution”, *University of Hawai Law Review*, 2013.

<sup>44</sup> Constantine J. Petallides, “Competing Claims in the South China Sea Viewed through International Admiralty Law”, *Inquiries Journal*, Vol. 8, No. 01, 2016.

reaches of the South China Sea and the latter of which consists of 53 features that form most of the Spratly Islands.<sup>45</sup> Malaysia's claim is limited to the boundaries of its EEZ and continental shelf.<sup>46</sup> It claims 11 features in the Spratly Islands - all in the southern section. Malaysia also claims the numerous Luconia Shoals and James Shoal, which sit within the Sino-Taiwanese nine-dashed line, but there is little diplomatic weight given to these features.<sup>47</sup> Lastly, Brunei's claim in the South China Sea is limited to its EEZ, which extends to one of the southern reefs of the Spratly Islands.<sup>48</sup> It claims two features - the partially submerged Lousia Reef (occupied by Malaysia) and the entirely submerged Rifleman Bank (occupied by Vietnam).<sup>49</sup>

With regard to territorial disputes in the South China Sea, Cambodia actively supports China's policy against internationalising the issue; i.e., not involving the US or any international agencies in dispute settlement. The other mainland states – Laos, Myanmar and Thailand – maintain a low-profile role but generally defer to China's preferences.<sup>50</sup> The four states who have conflicting claims with China – the Philippines, Vietnam, Malaysia and Brunei – are themselves internally divided. The Vietnamese and Philippine governments have both sought some outside support from the UNCLOS, the US and Japan to resist continued pressure from China and Taiwan to assert their claims. Malaysia and Brunei avoid public criticism of China's claims but do support finding a unified Association of Southeast Asian Nations (ASEAN) position on the disputes. Indonesia and Singapore have no conflicting claims with China. They are both strong advocates of maritime security and freedom of navigation, a position shared by the US.<sup>51</sup>

### 3.2 *Recent Developments*

The last five years or so have seen rising tensions over rival claims in the South China Sea. The countries involved in the dispute have been strengthening their military capabilities, with some exploring legal avenues. In addition, there have been intermittent efforts to reduce tensions through dialogue.<sup>52</sup> The following discussions briefly highlight the recent developments in the South China Sea.

Since 2009, there has been an upward trend of tensions in the South China Sea. Malaysia, the Philippines and Vietnam filed papers with the UNCLOS, formalising their legal claims in 2009. In the same year, China also set out its claim in formal

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<sup>45</sup> Raine and Miere, *op. cit.*, p. 32.

<sup>46</sup> Petallides, *op. cit.*

<sup>47</sup> Raine and Miere, *op. cit.*, p. 32.

<sup>48</sup> Petallides, *op. cit.*

<sup>49</sup> Raine and Miere, *op. cit.*, p. 32.

<sup>50</sup> David Rosenberg, "The Paradox of the South China Sea Disputes", *The China Story Journal*, April 2013.

<sup>51</sup> *Ibid.*

<sup>52</sup> Jon Lunn and Arabella Lang, "The South China Sea Dispute", *Briefing Paper*, No. 7481, House of Commons Library, 2016.



notes to the UN Secretary General.<sup>53</sup> In August 2010, a Chinese expedition planted a flag on the ocean floor near the Spratly and Paracel Islands. In mid-2010, the then US Secretary of State Hillary Clinton stated that the US had a “national interest” in maintaining respect for international law in the South China Sea. Soon after Clinton’s statement, it was reported that China had expanded its “core national interests” to include, for the first time, the South China Sea.<sup>54</sup>

The year 2012 saw escalating tensions between China and Vietnam over their rival claims. In June of that year, Vietnam passed a law designating the Paracel and the Spratly Islands as part of the country and requiring all foreign ships passing through the South China Sea to notify their authorities. However, China ignored the law.<sup>55</sup> In April 2012, the Philippines’ naval forces intercepted eight Chinese fishing vessels in the Scarborough Shoal, finding what they viewed as illegally fished marine life on board. The attempted arrest of the poachers led to a two-month standoff between the two countries.<sup>56</sup> There was another major flare-up in tensions between China and Vietnam in 2014. In May, China moved a deep-water drilling oil rig into what Vietnam considered its territorial waters close to the Paracel Islands. The rig was accompanied by over 80 vessels, which clashed with Vietnamese vessels in the area. These events triggered large-scale anti-Chinese riots in Vietnam in which at least 21 people died and most of them were Chinese.<sup>57</sup> Many Chinese nationals fled the country. For a while, the authorities seemed willing to let them continue but after several days of Chinese nationals and property coming under attack, they stepped in to bring them to an end. Finally, in late June 2014, China withdrew the offending oil rig, officially due to poor weather conditions.<sup>58</sup> Satellite images revealed that China had begun building a large airstrip on reclaimed land on Fiery Cross Reef in the Spratly Islands in 2015. China insisted that the airstrip was for civilian purposes, but many were highly skeptical, with fears being expressed that China might impose an ‘air defence zone’ over the area, as it did over the East China Sea, where it has overlapping claims with Japan.<sup>59</sup> In October of that year, an Arbitral Tribunal under the UNCLOS ruled that it had jurisdiction to consider the claim of the Philippines in its maritime dispute with China and that the claim was admissible. China condemned the decision, rejecting the Tribunal’s jurisdiction and repeating its opposition to any third-party settlement of territorial disputes.<sup>60</sup>

On 12 July 2016, the PCA in The Hague announced its verdict on the Philippines’ South China Sea case against China ruled in favour of Manila, determining that the extent

<sup>53</sup> Tariq, *op. cit.*, p. 10.

<sup>54</sup> Michael Swaine, “China’s Assertive Behavior”, *China Leadership Monitor*, No. 34, Winter 2011.

<sup>55</sup> Jane Perlez, “Vietnam Law on Contested Islands Draws China’s Ire”, *The New York Times*, 21 June 2012.

<sup>56</sup> “Standoff at Scarborough Shoal”, *Al Jazeera*, 02 August 2012.

<sup>57</sup> Per Liljas, “Anti-China Riots in Vietnam leave at least 21 dead”, *The Guardian*, 15 May 2014.

<sup>58</sup> “Hundreds held as anti-China riots quelled in Vietnam”, *Daily Telegraph*, 27 May 2014.

<sup>59</sup> “China lands more planes on its man-made island in the disputed South China Sea”, *Daily Mail*, 07 January 2016.

<sup>60</sup> Lu Yang, “Tribunal arbitration on S. China Sea neither fair nor just”, *China Daily*, 19 December 2015.

of several major elements of China's claim and its efforts to enforce it were unlawful.<sup>61</sup> First, the tribunal found that China's claims to historic rights with its nine-dash line had no basis in international law.<sup>62</sup> Second, the tribunal sided with the Philippines on most of the features in the Spratly Islands that China claims, finding that these were rocks rather than islands and they were thus only entitled to 12 nm of territorial seas, not the 200 nm of EEZ or continental shelves of islands. This effectively limits China's claims to just the disputed features and the territorial seas they generate.<sup>63</sup> Third, it found that China had violated its obligations under the UNCLOS by causing widespread environmental destruction through its construction of artificial islands and infringing on the Philippine's sovereign rights by interfering with fishing and petroleum exploration.<sup>64</sup> With this key judgment, a vast swath of the South China Sea is legally no longer disputed. The ruling has, in fact, reduced the disputed area from more than 80 per cent of the South China Sea to less than 20 per cent of it. What remains under dispute is now only pockets of 12-nm radius circles from the disputed features, plus the overlapping areas of the EEZs from the mainland of the coastal states.<sup>65</sup>

China rejected the verdict stating the Tribunal illegal.<sup>66</sup> It rejected the tribunal's jurisdiction on this matter, arguing that the arbitration was unilaterally initiated by the Philippines, while China had taken no part. Chinese President Xi Jinping said that China's territorial sovereignty and maritime interests in the South China Sea would not be affected by the ruling.<sup>67</sup> Andrew Billo posits the limitations of legal approach in the South China Sea as follows:

"While international law provides mechanism and guidelines for discussing barriers to cooperation, it is insufficient on its own to enforce egalitarian behavior because it fails to acknowledge the political, economic and military realities that allow rules to be circumvented. In practice, the effectiveness of the UNCLOS is hampered by China's unwillingness to submit disputes as the fact that the US has yet to ratify the treaty, thus undermining the legitimacy".<sup>68</sup>

It is noteworthy that ASEAN has consistently tried to manage the disputes by peaceful means since the emergence of territorial disputes in the South China Sea. It adopted a coherent strategy of seeking to eventually conclude a legally binding code of conduct (COC) with China. Meanwhile, in 2002, ASEAN signed a Declaration of Conduct of Parties (DOC) with China, a political commitment between the two parties to peacefully resolve the territorial disputes. Subsequently, in 2011, ASEAN and China

<sup>61</sup> Prashanth Parameswaran, "What the South China Sea Ruling Means", *The Diplomat*, 13 July 2016.

<sup>62</sup> Prashanth Parameswaran, "South China Sea Ruling: Verdict Means Precious Little if Parties don't Respect it, Actors don't Enforce it", *The Strait Times*, 13 July 2016.

<sup>63</sup> *Ibid.*

<sup>64</sup> Parameswaran, "What the South China Sea Ruling Means", *op. cit.*

<sup>65</sup> Vuving, *op. cit.*

<sup>66</sup> "Beijing Rejects Tribunal's Ruling in South China Sea Case", *The Guardian*, 12 July 2016.

<sup>67</sup> Alex Linder, "China Swiftly Rejects Hague Tribunal Ruling Against its South China Sea Claims", *The Shanghaiist*, 12 July 2016.

<sup>68</sup> Andrew Billo, "Cooperate and Share, A Way to Peace in South China Sea", *Global Asia*, Vol. 8, No. 3, Fall 2013.

agreed on the guidelines for the implementation of the DOC and China accepted the proposal of ASEAN to begin discussions about the COC. The first official meeting on the COC was held in September 2013.<sup>69</sup> However, it remains to be seen whether the matter will proceed due to uncertainties surrounding China and its willingness to conclude the COC in particular.

#### 4. Implications of Rising Tensions in the South China Sea

The ongoing territorial disputes in the South China Sea carry enormous implications for overall security in this region and beyond. The implications of South China Sea dispute can be seen through the lens of geopolitics and struggle over resources. In the case of South China Sea, China's and US's opposing perspectives are rooted in radically different national and regional strategies. On one hand, China portrays the South China Sea dispute as fundamentally a question of sovereignty<sup>70</sup>, on the other hand, freedom of navigation has been the general concern for the US. Since the end of the Cold War, the US has remained the unquestioned pre-eminent power in the Pacific Rim, assisted by its allies, most notably Japan and South Korea. However, some emerging regional powers like India and Australia are also generating their interests towards the South China Sea. Simultaneously, China has also been emerging as a potential regional actor. As a result, the South China Sea has become a significant area of tension as the parties are getting involved in increasing militarisation of the region. Besides strategic rivalry, the gas and oil reserves as well as lucrative fishing grounds attract the regional and global powers including both claimant and non-claimant actors. The overexploitation of fish stocks and competition over getting access to energy resources affect these sectors. Moreover, if conflict escalates, it will affect the regional and international order (i.e. ASEAN and the UN). This section discusses the implications of rising tensions in the South China Sea.

##### 4.1 *The US's Rebalance to Asia*

China's rise as a potential regional actor has challenged the US predominance in the post Cold War international system. The South China Sea is an important part of the overall process of China's rising, with broader implications for demonstrating the nation's capabilities to protect its interests and image as a great power.<sup>71</sup> This has led the US to renew its efforts to return to Asia and revitalise security ties with allies in the region. This trend has transformed the South China Sea into a focal point for big power rivalry.<sup>72</sup>

<sup>69</sup> Shoji, *op. cit.*, p. 128.

<sup>70</sup> "Great Power Politics in the South China Sea", *Stratfor*, 26 October 2015, available at <https://www.stratfor.com/analysis/great-power-politics-south-china-sea>, accessed on 27 July 2016.

<sup>71</sup> Jihyun Kim, "Territorial Disputes in the South China Sea Implications for Security in Asia and Beyond", available at <http://webcache.googleusercontent.com/search?q=cache:http://www.au.af.mil/au/ssq/digital/pdf>, accessed on 23 June 2016.

<sup>72</sup> Kaplan, 2011, *op. cit.*

During the Cold War period, the US was not that much concerned with the South China Sea. Then it maintained a non-committal stand and regarded it as a regional issue that could be resolved by the claimants through political channels rather than by military means.<sup>73</sup> The US position regarding the South China Sea dispute has been changing gradually because of shifting of its economic and security interests from the Atlantic to the Asia Pacific zone.<sup>74</sup> According to the official policy of the US, it has strong interest in ensuring freedom of navigation, freedom of over flight and the rule of law.<sup>75</sup> Unhindered access to the South China Sea is necessary for the US because of uninterrupted trade route (one trillion dollar worth of trade of the US passes through this water every year) and for projection of its military supremacy.<sup>76</sup> Balancing<sup>77</sup> and stability are other concerns of the US in post Cold War era.<sup>78</sup> To balance the rise of China and to counter its claim, the US has made defence ties with other claimant parties of the South China Sea (i.e., the mutual defense treaty with the Philippines)<sup>79</sup> and brings them under its security blanket. Beside military and defence assistance, the US is ensuring economic security of Southeast Asian countries by promoting fast growing trade and investment relationship under Trade and Investment Framework Arrangement (TIFA). This trade and investment relationship brings closer the US and ASEAN nations.<sup>80</sup> Besides, the US and China have strong trade relations. China was the largest supplier of import goods and the third largest goods export market of the US in 2015.<sup>81</sup> The US has strong economic ties with its allies along with China. But the growing interest and military presence of the US in the South China Sea region have made China more suspicious and that raised the tension. Scholars like, Kaplan and Van Dyke argue that the possibility for the territorial and maritime disputes in the South China Sea can be turned into serious armed conflicts, if not managed well.<sup>82</sup>

Thus, it can be argued from geostrategic point of view that a greater presence of the US could intensify the US-China strategic and military competition as both countries are involved in the power projection in the South China Sea area. But

<sup>73</sup> Ang Cheng Guan, "The South China Sea Dispute Re-visited", *RSIS Working Paper*, Issue 4, Institute of Defence and Strategic Studies, 1999.

<sup>74</sup> *Ibid.*

<sup>75</sup> Mira Rapp Hooper, "China's Short-Term Victory in the South China Sea: And its Long-Term Problem", *Foreign Affairs*, 21 March 2016.

<sup>76</sup> M Taylor Fravel, "The United States in the South China Sea Disputes", paper presented in the 6<sup>th</sup> Berlin Conference on Asian Security, Berlin, 18-19 June 2012.

<sup>77</sup> The concept of balancing encompasses the actions that a particular state or group of states take in order to equalise the odds against more powerful states.

<sup>78</sup> Fravel, *op. cit.*

<sup>79</sup> Alexandra Ma, "Here's What you Need to Know about the South China Sea Disputes", *The Huffington Post*, 29 July 2016.

<sup>80</sup> "Association of Southeast Asian Nations (ASEAN), United States Trade Representatives", available at <https://ustr.gov/countries-regions/southeast-asia-pacific/association-southeast-asian-nations-asean>, accessed on 22 July 2016.

<sup>81</sup> "The People's Republic of China, United States Trade Representatives", available at <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china>, accessed on 21 July 2016.

<sup>82</sup> Brendan Taylor, "The South China Sea is not a Flashpoint", *The Washington Quarterly*, Vol. 37:1, 2014, pp. 99–111.

if it is seen from the lens of economic benefits, it can be predicted that economic interdependency can play a vital role to refrain them from getting involved in serious conflicts as American investments as well as massive exports from China to the US help China's growth and American corporations have big benefits from the cheap labour force in China.<sup>83</sup>

## 4.2 China's Growing Strategic Posture

Since 1980s, China has undergone a transition from an insular, self-sufficient isolate state to a major exporter. China's economic growth has fuelled a rising demand for energy resources.<sup>84</sup> This has influenced China to reassess its maritime risks and vulnerabilities.<sup>85</sup> China's assertion of ownership and control in the South China Sea gives China a sense of economic security.<sup>86</sup> Besides economic determinants, China's claim over the South China Sea involves national security interests (i.e., 'Japan problem' and the 'US military presence in East and Southeast Asia').<sup>87</sup> From a Chinese perspective, the control of the South China Sea is a vital key to resolving the 'Japan problem', including the East China Sea disputes and Sino-Japan strategic rivalry. In the post Cold War era, China's rise is countering the US dominance. In response to that the US has devised a mixed strategy to rebalance and contain China's growing power by using its diplomatic, economic and military means in the region. According to China, Vietnam and the Philippines along with the US have 'internationalised' the South China Sea issue and China's growing strategic posture is the response to 'provocative actions' of these countries.<sup>88</sup> China's proactive behaviour has been growing since 2009 when China declared South China Sea as 'core interest' like Tibet and Taiwan and submitted its territorial claims based on nine-dashed line map to the UNCLOS in response to Vietnam and Malaysia's claim which overlaps with Vietnam's EEZ.<sup>89</sup>

Some security analysts argue that this growing Chinese posture "is affecting regional military balances and holds implications beyond the Asia-Pacific region".<sup>90</sup> Furthermore, this would intensify the tensions among China, the US and other regional actors. Moreover, it would also encourage some claimants to develop their own naval and air capabilities and to increase their military budget to protect their own claims in the area.<sup>91</sup> Strategic analysts believe that the 'South China Sea dispute'

<sup>83</sup> Mantea Alin, "Economic Interdependence between the US and China", *Revista Economica*, 2012, available at <http://economie.ulbsibiu.ro/revista.economica/archive/suplimente/Volume1-2012.pdf>, accessed on 25 July 2016.

<sup>84</sup> Carlyle A. Thayer, "The United States and Chinese Assertiveness in the South China Sea", *Security Challenges*, Vol. 6, No. 2, Winter 2010, pp. 69-84.

<sup>85</sup> "Great Power Politics in the South China Sea", *op. cit.*

<sup>86</sup> *Ibid.*

<sup>87</sup> Zhou, *op. cit.*

<sup>88</sup> Tariq, *op. cit.*, p. 26.

<sup>89</sup> *Ibid.*, p. 27.

<sup>90</sup> *Ibid.*, Zhou, *op. cit.*

<sup>91</sup> Leszek Buszynski, "Rising Tensions in the South China Sea: Prospects for a Resolution of the Issue", *Security*

has worked as a catalyst for militarisation in surrounding region.<sup>92</sup> There has been a robust growth in defence spending throughout Southeast Asia. Chinese defence spending has increased more than 500 per cent since 1997 and the growth of defence spending has exceeded economic growth.<sup>93</sup> The Philippines has increased its defence budget (US\$ 552 million) to bolster its claim on the South China Sea.<sup>94</sup> To keep pace with Chinese defence spending, Taiwan has increased its defense budget by 10.1 per cent in 2015.<sup>95</sup> Vietnam is pursuing an ambitious maritime modernisation programme and has increased its military spending because of territorial dispute with China.<sup>96</sup> The following table (Table 1) helps to understand the increasing military modernisation of this region.

**Table 1: Militarisation in the South China Sea**

Prominent Claimant Actors	Regional Naval Combatants Comparison						
	Total Naval Strength	Frigates	Destroyer	Sub-marines	Coastal Defense Craft	Mine Warfare	Defence Budget
China	714	48	32	68	138	4	US\$ 155.6 billion
Vietnam	65	7	0	5	23	8	US\$ 3.3 billion
Philippines	119	3	0	0	38	0	US\$ 3 billion
Malaysia	61	2	0	2	41	4	US\$ 4.7 billion
Taiwan	87	20	4	4	51	4	US\$ 10.7 billion

Source: Global Fire Power, 2016.

This rapid militarisation in the region has significantly increased the potential for conflict in the maritime domain.<sup>97</sup> As Kaplan argued, "... the water of the South China Sea may constitute the military frontline of the coming decade"<sup>98</sup> But along with that, the economic dependency of ASEAN countries on China should be

*Challenges*, Vol. 6, No. 2, Winter 2010.

<sup>92</sup> Thayer, *op. cit.*, p. 83.

<sup>93</sup> *Ibid.*

<sup>94</sup> "Philippines Hikes Defense Budget 25%", *Defense News*, 21 August 2015.

<sup>95</sup> "Taiwan's Defense Spending: The Security Consequences of Choosing Butter Over Guns", *Asia Maritime Transparency*, 09 August 2015.

<sup>96</sup> Sophia Yan, "Vietnam's Defense Spending is \$5 Billion and Rising Fast", *CNN*, 23 May 2016.

<sup>97</sup> Interview with Professor Dr. Delwar Hossain, Department of International Relations, University of Dhaka, on 20 July 2016.

<sup>98</sup> Tariq, *op. cit.*, p.19.

taken into consideration. China has relative significance for individual Southeast Asian economies. This complex relationship combines both aspects of cooperation and tension. China's growing posture in the South China Sea increases the conflict potential. At the same time, China's rise exerts a powerful pull on ASEAN economies (e.g., being the largest trading partner of Vietnam<sup>99</sup> and Malaysia,<sup>100</sup> foreign investment in the Philippines etc.).<sup>101</sup> Considering this economic aspect, the Philippines has agreed to negotiate with China bilaterally at the Asia Europe Meeting (ASEM) in Mongolia despite rejecting the ruling of PCA by China.<sup>102</sup>

### 4.3 *Involvement of Non Claimant Actors*

The significance of South China Sea has led to build a web of new ties among claimant and non-claimant actors. Despite their geographic, political and economic differences, it is clear that strategic and economic interests drive all the non-claimant stakeholders (e.g., Australia, India, Indonesia, Japan, Singapore, South Korea and the US) when it comes to developments in the South China Sea.

Though the US has protected its interests and allies in East and South East Asia by creating a security blanket, allies are getting together directly in all sorts of ways and levels gradually. For example, Japan, Australia and India have worked on maritime security through trilateral mechanisms. Countries are also engaged through their bilateral deals e.g., India's US\$ 100 million loan to Vietnam to buy patrol boats and Japan's leasing of five surveillance aircraft to the Philippines and thus bolstering those Southeast Asian nations' ability to keep an eye on waters where China challenges their territorial claims.

One important non-claimant actor, India, is now gradually becoming interested in the South China Sea. The unrest in the South China Sea and China's growing interest in Indian Ocean has provided India an opportunity to enlarge its presence in this region.<sup>103</sup> India's 2015 Maritime Security Strategy document has also declared the South China Sea as 'secondary zone of interest' for the Indian Navy.<sup>104</sup> India has provided training to the Vietnamese submariners and agreed to let Japan join its annual Malabar exercises with the US Navy.<sup>105</sup> Besides, India and Japan have agreed on their common "Vision 2025" pledging "closer coordination and effective communication (bilaterally and with partners)", to address existing and emerging challenges in spheres of security. India and Australia also

<sup>99</sup> "China Top Trade Partner of Vietnam", *China Daily*, 09 March 2015.

<sup>100</sup> "China Remains as Malaysia's Largest Trading Partner in 2015", *China Daily*, 15 July 2016.

<sup>101</sup> Nargiza Salidjanova and Jacob Koch-Weser, "China's Economic Ties with ASEAN: A Country-by-Country Analysis", US-China Economic and Security Review Commission, 17 March 2015.

<sup>102</sup> Patricia Lourdes Viray, "Philippines Rejects Talks not Based on Arbitral Ruling; China Warns of Confrontation", *Philstar*, available at <http://www.philstar.com/headlines/2016/07/19/1604466/philippines-talks-hague-verdict-confrontation-china>, accessed on 20 July 2016.

<sup>103</sup> Sumit Kumar Jha, "Tensions in South China Sea: Implications for India", *The Indian Express*, 01 April 2016.

<sup>104</sup> *Ibid.*

<sup>105</sup> Peter Ford, "With Eye on South China Sea, China's Neighbors Weave New Security Web", *The Christian Science Monitor*, 22 May 2016.

held their joint naval exercises.<sup>106</sup> These emerging relationships are getting stronger by regional nations' existing ties with the US.

Another non-claimant actor of South China Sea, Japan has renounced the self-imposed bans on both arms sales and sending troops to assist allies or its forces in Asia, if they come under attack. The Philippines signed an historic defence pact with Japan in 2016 for establishing a framework to support Japan's supply of defence equipment and technology through providing joint research and development.<sup>107</sup> Furthermore, Australian troops have joined the US and Filipino soldiers in joint exercises in the Philippines prompting China to warn "outsiders" against interfering in regional disputes.<sup>108</sup> The involvement of non-claimant actors creating security web against China as well as its proactive stance to bolster its claims is thus playing a greater role in influencing events in the South China Sea.

#### 4.4 Competition over Energy Resources

Competition for taking control of potential energy resources and key energy transit routes through the South China Sea and Malacca Strait stands out as a critical factor that has heightened the stakes of maritime disputes.<sup>109</sup> As negotiation over joint development stalled, countries are increasingly vying for establishing their territorial claims before other competitor claimants are able to develop the resources of the contested areas. China's placement of state-owned oil rig inside Vietnam's EEZ in 2014 is a case in point. Taiwan is also making plans to ensure access to hydrocarbons in the future.<sup>110</sup> In Vietnam, soaring food prices, weakening confidence in the currency and stagnating job market are forcing the government to develop energy sources in the South China Sea. As a result, the government has declared its 'Maritime Strategy to 2020' with the aim of being a big maritime power to better exploit and direct its maritime domain. The Philippines, as a net importer of oil, regards the South China Sea potential reserves vital to its energy security.<sup>111</sup> China's interest in the South China Sea can be identified into three "P"s-politics, petroleum, and proteins (fish)<sup>112</sup> that can also intensify maritime and territorial dispute.

This maritime dispute has direct impacts on energy security by blocking the developments of new oil and gas resources of the region and disrupting transport of energy through the sea lanes. Along with China and other claimant parties of the South China Sea, Japan, South Korea, India, Singapore, Australia and the US have core

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<sup>106</sup> *Ibid.*

<sup>107</sup> Ernest Bower, "South China Sea's Emerging Security Alliance", *Policy Forum*, available at <http://www.policyforum.net/south-china-seas-emerging-security-alliance/>, accessed on 30 June 2016.

<sup>108</sup> Ford, *op. cit.*

<sup>109</sup> Mikkal E. Herberg, "The Role of Energy in Disputes over the South China Sea", *Maritime Awareness Project*, 28 June 2016.

<sup>110</sup> Tariq, *op. cit.*, p. 16.

<sup>111</sup> *Ibid.*, p. 17.

<sup>112</sup> Adam Greer, "The South China Sea Is Really a Fishery Dispute", *The Diplomat*, 30 July 2016.



national interests in ensuring the openness and security of the sea lanes in the South China Sea. The transit of energy through these sea lanes is threatened by broader strategic rivalries across the region between the US and China, Japan and China and other regional powers.

#### 4.5 Depletion of Fish Stocks

Fishing has played a vital role in asserting claims to maritime rights in the South China Sea.<sup>113</sup> As discussed earlier, the fishing industry is crucial to China, Vietnam and the Philippines. However, the depletion of fish stocks due to overfishing and using environmentally harmful techniques encourages the fishing fleets of different countries to go further offshore into the South China Sea to reduce the pressure on closer fishing grounds.<sup>114</sup> For example, Vietnamese fishermen now increasingly sail beyond the EEZ into the waters off the resource-abundant Paracel Islands. This put them into more frequent contact with Chinese law enforcement vessels. China has imposed an annual fishing ban that aims to protect the fish during egg-laying season. Vietnam and the Philippines have disputed the ban on the ground that the portions of the ban extended into their EEZ. In addition to patrolling disputed waters, Chinese authorities offer fishermen incentives (e.g., upgrading and equipping boats with satellite navigation system and getting cash incentives from government) to range even further from home. Recently, China has opened a new fishing port at Yazhou, Hainan Province, to host fishing vessels operating in the disputed South China Sea.<sup>115</sup> Similarly, Philippine authorities regularly intercept Vietnamese and Chinese fishermen in the waters of Palawan, where stocks remain plentiful.<sup>116</sup> In many cases, Chinese harassment of Vietnamese fishing vessels stokes nationalism and anti-Chinese sentiment, limiting the government's ability to compromise and increasing its willingness to respond robustly. For example, in May 2014, Vietnam accused Chinese boats of ramming and sinking a Vietnamese vessel, while China hit back by blaming the Vietnamese craft. Chinese fishermen were also reportedly arrested, beaten and shot at and their belongings allegedly seized by the neighbouring countries. Such cases also incited public anger in China against other claimant actors, particularly Vietnam and the Philippines. Conflicts over fishing incidents in the South China Sea are likely to continue to increase and the 2012 Scarborough Shoal standoff triggered by Chinese boats fishing in disputed waters exposed that competition over fisheries could be another ground of rising tension in the South China Sea.<sup>117</sup> As a result, some security analysts opine that fisheries rather than fossil fuels may trigger future regional conflicts.<sup>118</sup>

<sup>113</sup> *Ibid.*

<sup>114</sup> Keith Johnson and Dan De Luce, "Fishing Disputes Could Spark a South China Sea Crisis," *Foreign Policy*, 07 April 2016.

<sup>115</sup> J. Michael Cole, "China Opens Large Fishing Port to 'Safeguard' South China Sea Claims," *The News Lens International*, 30 July 2016.

<sup>116</sup> Tariq, *op. cit.*, p. 18.

<sup>117</sup> *Ibid.*

<sup>118</sup> "Fishing Dispute in the South China Sea", *Environment, Conflict, and Cooperation (ECC) Platform*, available

Moreover, declining fisheries also cause increasing piracy in the South China Sea. The southern tip of Malaysia and the Strait of Malacca are vulnerable places where piracy has been taken place. According to the International Maritime Bureau (IMB), fifteen hijackings took place in 2014.<sup>119</sup> Increasing piracy due to diminishing fish stocks is also an issue of concern for Southeast Asian countries. Finally, it can be argued that the clashes over fishing rights that occur almost on a daily basis and often go unreported can pose the greatest potential risk of triggering a full-fledged crisis or even an armed conflict in the South China Sea.<sup>120</sup> Along with that, the increasing threat of piracy need to be taken into concern.

#### 4.6 *Regional and International Order*

The South China Sea dispute has tremendous impacts on regional and international order. The role that ASEAN as a regional organisation can play to the South China Sea situation is rather complex since four of its members have overlapping claims. Some analysts have been critical of ASEAN's lame response to the dispute.<sup>121</sup> Therefore, an assessment of ASEAN's efforts is necessary to identify how far it can resolve the dispute in the South China Sea. Sidra Tariq points out the limitations of ASEAN in resolving the South China Sea issues. First, ASEAN's fourteen principles in its Charter call for consensus through unanimous decision-making. Second, chairmanship of ASEAN changes annually. It, therefore, becomes difficult for the states like Cambodia, Brunei or Myanmar to challenge through the forum assertions made by powerful countries. Finally, out of the ten ASEAN countries, only four have dispute with China regarding South China Sea. The other six nations pursue their own individual policies with China with their unique economic interests at the forefront. This lack of common interest has prohibited ASEAN from developing a consensus on how to approach China on territorial claims.<sup>122</sup>

However, ASEAN members who have the most at stake in the South China Sea are increasingly realising the fact that their regional organisation has little ability to stand up to China. According to some experts, ASEAN can be a platform to promote dialogue among members rather than solving the issue.<sup>123</sup> As a result, they become more dependent on the US, Australia and Japan in this regard.<sup>124</sup> It indicates the weakness of ASEAN as a regional organisation and which is gradually losing the confidence of its members.

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at <https://library.ecc-platform.org/conflicts/fishing-dispute-south-china-sea>, accessed on 25 July 2016.

<sup>119</sup> "Pirates in South-East Asia", *The Economist*, 27 June 2015.

<sup>120</sup> Johnson and De Luce, *op. cit.*

<sup>121</sup> Tariq, *op. cit.*, p. 31.

<sup>122</sup> *Ibid.*

<sup>123</sup> Munmun Majumder, "The ASEAN Way to Conflict Management in the South China Sea", *Strategic Analysis*, 2015, Vol. 39, No. 1, p. 82.

<sup>124</sup> Interview with Professor Dr. M. Rashed Uz Zaman, Department of International Relations, University of Dhaka on 30 July 2016.

According to a security analyst the dispute has direct impacts not only on regional organisation but also on international order.<sup>125</sup> Western critics argue that China has an intention of challenging the international order.<sup>126</sup> Though China claims it has a strong sense of belonging to this UN-led order, as China is one of its beneficiaries, its increasing presence in the South China Sea and establishing “parallel” international economic institutions and initiatives (e.g., AIIB and New Silk Road project) have competed with the established order.<sup>127</sup>

However, some analysts argue that the world in many ways needs China’s leadership, especially in areas like global development. Now with the Trump administration in charge of US foreign policy, a new window of opportunity has opened up in China’s quest for global leadership. Under the leadership of Donald Trump, the US is now seeking ways to reduce its global burdens, thus failing to provide global public goods in areas like climate change, poverty reduction, and trade.<sup>128</sup> For example, in pulling out of the Paris climate accord, US has created a vacuum of global leadership that presents ripe opportunities to China, which is eager to fill the void.<sup>129</sup> So China is not challenging the international order rather the US is creating compelling situations for China to come forward and fill the vacuum of global leadership.

## 5. Concluding Remarks

The South China Sea has become an epicentre of regional, territorial and maritime conflicts in recent times. The dispute involves regional and global actors into power politics. In post Cold War era, China’s rise is countering the US dominance. In response to that, the US has developed a strategy to rebalance and restrain China’s rising power by using its diplomatic, economic and military means to continue its supremacy in the area of the South China Sea. To some extent, this forced China to act assertively as it has a policy of never compromising its legitimate rights on sovereignty. Meanwhile, Chinese growing posture has led the claimant countries to strengthen security, defence and economic ties with the US. In addition, the regional tension has escalated because of claimant parties’ growing militarisation. Beside strategic rivalry, the South China Sea has become the battlefield for fisheries and energy resources. Due to increasing territorial disputes, the transit of energy through these sea lanes is threatened, the development of new oil and gas resources is blocked and conflicts over fishing incidents are increased. Moreover, the dispute has tremendous impacts on regional and international order. The rising tension in this area indicates the limitations of ASEAN as a regional organisation.

<sup>125</sup> *Ibid.*

<sup>126</sup> International Order refers to the UN and its institutions, including the principles of international law. This may overlap with the “world order” but is not exactly the same.

<sup>127</sup> Shi Jingtao, “China has no Intention of Challenging International Order, Say Former Diplomats”, *South China Morning post*, 22 July 2016.

<sup>128</sup> Dingdin Chen, “Is China Ready for Global Leadership?”, *The Diplomat*, 27 February 2017.

<sup>129</sup> David E. Sanger and Jane Perlez, “Trump Hands the Chinese a Gift: The Chance for Global Leadership”, *The New York Times*, 01 June 2017.

There is a growing concern that tensions over territorial disputes in the South China Sea could escalate into a military confrontation among China, its neighbours and the US. However, a question arises here - 'is military confrontation the only plausible outcome?' Analysis of the threat potentials and implications on bilateral, regional and international levels suggests that China, Vietnam, Malaysia and the Philippines have competing territorial and jurisdictional claims, particularly over rights to exploit the region's possibly extensive reserves of oil and gas. Freedom of navigation in the region is also a contentious issue, especially between the US and China over the right of US military vessels to operate in China's exclusive economic zone (EEZ). Moreover, the rise of China appears to be changing the architecture of the international system. In response to that, the US has faced a potential competitor and both are engaged in great power politics. These tensions are shaping and being shaped by rising militarisation in Southeast Asian countries. Thus, it can be envisaged that the risk of conflict in the South China Sea is significant.

Nevertheless, the growing importance of the US-China relationship, the extensive economic relation between China-ASEAN countries and the US-Southeast Asian countries suggest that military confrontation is not the only plausible outcome. The US and China are economically dependent on each other. Both countries are also beneficiaries of current international order system. Therefore, they may not engage in any major military confrontation that would hamper a stable working relationship. In addition, the claimant parties of the South China Sea specially Vietnam and the Philippines understand that a confrontation with China would not be wise as they have strong economic relation with China. As such, the claimant parties, China and the US have a major interest in preventing anyone in the South China Sea from escalating militarily at a large scale.