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# **Reconciling Assertiveness and Cooperation? China's Changing Approach to the South China Sea Dispute**

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China has been rightly regarded as the most important player in the South China Sea dispute. The nature and scope of China's claim, its security posture and its military and economic activities in the area have always had profound impacts on the dynamics of the contention in the past decades. This article discusses the recent Chinese policy debate on the South China Sea, and identifies the balance between growing assertiveness and desire for cooperation as a looming policy challenge for China and other claimant parties.

China has been rightly regarded as the most important player in the South China Sea dispute. The nature and scope of China's claim, its security posture and its military and economic activities in the area have always had profound impacts on the dynamics of the contention in the past decades. Almost certainly, China will continue to remain the most crucial actor in any major development in the South China Sea in the foreseeable future. Hence, it is very important and pertinent to understand Beijing's possible moves in the dispute.

This article describes and analyses emerging new thoughts and trends in China with regard to the South China Sea issue, particularly the interactions between a growing assertive posture and efforts in pushing for cooperative measures.<sup>1</sup> I first review China's views on the importance of the South China Sea. I then take stock of the changes that have taken place in China's policy in the South China Sea in the past decade or so. I argue that in the coming years, given the fact that China is increasingly showing its appetite for energy resources in the South China Sea and that China is rapidly developing its naval capabilities, it is likely that Beijing will seek to be more assertive in the South China Sea (for instance more frequent and higher profile patrols in the Spratlys area and tougher measures to protect China's energy interests in the area). Generally speaking, these measures are favoured by the military and law enforcement agencies. Such tougher

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<sup>1</sup> The author interviewed over fifty Chinese officials in charge of maritime affairs and analysts close to policy-making in Beijing, Hainan, Guangzhou, and Shanghai in the first half of 2010. Data gathered from these interviews, in addition to various official pronouncements and scholarly writings, is incorporated in the analyses in this article.

Chinese actions will surely raise new concerns in some capitals of Southeast Asian states and invite counter-measures on the part of these regional states, perhaps with implicit or explicit support from external powers as well. But, given China's strategic concerns in East Asia and the leadership's obsession with the priority of domestic economic development, China will most probably attempt to flex its muscle in a limited fashion and will seek to avoid any dramatic escalation of the dispute.

At the same time, the predominant view in China, harboured by the civilian side of the foreign policy community including the vast majority of scholars, is to either maintain the status quo or push harder for cooperation in the South China Sea. In fact, there are increasing calls for China to play an even more active role in pushing for various cooperative schemes in the South China Sea, including multilateral cooperation on various non-traditional security issues and joint exploitation of resources.<sup>2</sup> For China to succeed in bringing the other contending parties into these cooperative schemes, Beijing will have to make clearer its position on the dispute and be willing to actively push for win-win proposals. I argue in this article that China is prepared to do both largely because of the emerging consensus in the internal debate on the nature and scope of China's claim in the South China Sea and the legal and policy consequences of what China has done in the dispute over the past decade.

For many years, the Chinese have lamented that other parties in the dispute have not responded positively to the Chinese proposal for joint development in the South China Sea. There are many reasons for this failure. It is partly due to the fact that occasionally China would require the other parties to recognise the "my sovereignty" precondition. Part of the reason is also technical in nature, for instance the identification of specific cooperative programs and capability of various parties to carry out the cooperation. And domestic politics in various parties also played a negative role in forging multilateral cooperation in the South China Sea. Will a growing assertive Chinese posture coupled with Chinese efforts in pushing for cooperative programs entail new dynamics in the entangling South China Sea dispute? Will regional states feel the pressure from China and respond to the changing Chinese approach by giving more serious consideration to various cooperative schemes or will they respond by adopting more hard-line counter-measures? It would be risky to venture for any definite answers to these questions because there are so many uncertainties in the dispute. Given the trajectory of the evolution of the dispute in the past decade, I conclude that the two trends—growing Chinese assertiveness, which is likely to be largely symbolic, and intensifying interests in pushing for cooperation—

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<sup>2</sup> For instance, the Chinese National Institute for the South China Sea Studies in Hainan, with support from the Chinese Foreign Ministry, organised an international conference on multilateral cooperation in dealing with non-traditional security challenges in the South China Sea in May 2010.

are likely to bring about new dynamics in the South China Sea dispute. In the coming years, it will be a challenge for China in terms of how it would reconcile its growing inclination to display a more assertive posture and existing political willingness for cooperation. It would also be a challenge for Southeast Asian claimant states in how to respond to the changing Chinese approach to the dispute.

### **The South China Sea in China's Strategic Planning**

As is true for other parties, energy resources in the South China Sea are perhaps the most important attraction for China. Different from other claimant states, perhaps, is the strategic importance of oil and gas in the area: Chinese analysts view the natural resources in the South China Sea as a critical requirement for the future of China's national economy. Ever since becoming a net importer of oil in 1993, China's demand for energy has always been on the rise. At a central government meeting on economic issues on 29 November 2003, Chinese President Hu Jintao emphasised China's oil security. He urged his colleagues to view the energy issue from a new strategic height, adopt a new oil development strategy, and take effective measures to ensure China's energy security.<sup>3</sup> The South China Sea, often dubbed the "second Persian Gulf" in Chinese reports, has been regarded as one of the ten most important strategic oil and gas sources for China.

In light of this, it is no surprise that China has been quite upset by the exploitation of energy resources in the South China Sea by other claimant countries. China believes that starting in the 1980s other claimant countries have taken advantage of Chinese weakness in technology and shortage of funding and stepped up their efforts in drilling for energy resources in the area. Chinese observers constantly complain that other competing states have set up more than one thousand oil wells in the South China Sea, and that the amount of oil and gas they have produced from those projects has been several times that of Chinese production in the offshore areas.<sup>4</sup> Chinese analysts lament the fact that Beijing has not been able to erect even one oil platform and produce one barrel of oil in the Spratlys area. They think that it is ironic that China actually imports a significant amount of oil from those countries that have been pumping oil in the South China Sea.<sup>5</sup>

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<sup>3</sup> Shi Hongtao, 'Zhongguo de maliujia kunju' [China's Malacca Dilemma], *China Youth Daily*, 15 June 2004.

<sup>4</sup> Dong Shaopeng, 'Zhongguo weihu haiyang zhiyu de xin nuli' [China's New Efforts in Maintaining the Maritime Order], *Guoji jinrong bao* [International Financial News], 2 December 2005.

<sup>5</sup> Nu Anping, 'Nanhai ziyuan zao zhoubian guojia fengkuan kaicai' [Spratlys' Resources Relentlessly Exploited by Neighbouring States], *Zhongguo canjing xinwen bao* [China Industrial and Economic News], 2 March 2004.

Another important consideration for China is a strategic one. The South China Sea, which connects the Malacca Strait in the southwest to the Balintang Channel, Bashi Channel, and Taiwan Strait in the northeast, is perceived as the “throat” of the Pacific Ocean and Indian Ocean. Chinese analysts believe that the South China Sea is uniquely important to China. First of all, the South China Sea is regarded as a natural shield for China’s security in the south. China’s southern regions are densely populated and relatively developed. Stability and security in this region is critical for China’s national security. Second, having a strong foothold in the South China Sea would give China a strategic defence hinterland of over 1000 kilometres, the security implication of which is “incalculable”.<sup>6</sup> Some sort of Chinese security leverage in the South China Sea would serve as a restraining factor for the US Seventh Fleet that has been actively transiting the Pacific Ocean and the Indian Ocean.<sup>7</sup> Third, geographically, China is surrounded by a chain of islands in the east. Given the fact that the United States has always intended to preserve a strong military presence in the West Pacific, Beijing feels that a strong foothold in the South China Sea would give China at least some more strategic manoeuvring space. Fourth, Chinese strategists believe that geopolitically, China is vulnerable both on land and from the sea. This double vulnerability has been ameliorated to some extent after China solved land border disputes with all its neighbours except India and Bhutan. They believe that future challenges to China’s territorial integrity and sovereignty will mostly come from the ocean, including the South China Sea.<sup>8</sup>

Marine economy is also an important factor in Beijing’s considerations. The fishing industry has been an important part of the economic life of residents in several Chinese coastal provinces adjacent to the South China Sea, for instance, Guangdong, Hainan, and Guangxi. Beijing has begun to pay more attention to marine economic growth. A senior researcher at the State Ocean Administration points out that the ocean has become an important area of contention for comprehensive national power and long-term strategic advantage.<sup>9</sup> China has realised that its marine economy accounts for a very small proportion of China’s total economy. According to a Chinese source, China’s marine economy accounted for only 3.4 percent of China’s GDP in 2002, falling far behind Western maritime powers.<sup>10</sup>

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<sup>6</sup> Hou Songling, ‘Zhongguo yu dongmeng guanxi zhong de bu wending yinsu-nansha wenti’ [A Destabilising Factor in China-ASEAN Relations: Spratlys], *Southeast Asia Studies*, no. 5/6 (2000).

<sup>7</sup> Author’s interviews with various Chinese military officers and analysts.

<sup>8</sup> Liu Zhongmin, ‘Zhongguo haiquan fazhan zhanlue wenti de ruogan sikao’ [Some Thoughts on the Development of China’s Maritime Power], *Journal of Foreign Affairs University*, vol. 80 (February 2005).

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

Similar to all other competing states, the South China Sea is also important to China because it contains very important flight routes and sea lanes of communication. Its importance as a transportation outlet is related to the Malacca Strait, which is a crucial channel for China's energy security. Chinese analysts frequently mention the fact that about four-fifths of China's oil imports have to pass the Malacca Strait and then proceed to the South China Sea.

## **China's Historical Claims in the South China Sea**

As is well known to the scholarly community, the Chinese claim in the South China Sea is mostly based on historical grounds.<sup>11</sup> Chinese analysts typically argue that China was the first country to discover and use the islands and resources in the South China Sea. It is argued that Chinese forebears discovered the islands in the South China Sea during China's Han Dynasty in the 2<sup>nd</sup> century BC. During the Three Kingdoms era in the 3<sup>rd</sup> century, an official mission to Cambodia (called Fu Nan at that time in Chinese) resulted in some brief accounts of the Paracels and the Spratlys in a Chinese book. During the Song and Yuan dynasties (10<sup>th</sup>-14<sup>th</sup> century), many official and unofficial Chinese accounts seem to indicate that the South China Sea area was included in the Chinese national boundary. During the Ming and Qing era, various official Chinese maps included the Spratlys into Chinese territory. The Qing government took action to exercise jurisdiction over the Paracels in the early 20<sup>th</sup> century.

The Chinese also frequently claim that Chinese fishermen have been exploiting the fishing resources in the South China Sea for centuries and have kept detailed records of the navigation routes and names of the islands, islets and shoals in the South China Sea. Many Chinese fishermen have lived and been buried on some of the islands in the Spratlys. When the Japanese adventurers began to arrive in the Spratlys in the late 1910s and the French followed suit in the early 1930s, they encountered Chinese fishermen on a few islands in the Spratlys and saw abundant evidence that these Chinese fishermen had been using those islands as permanent residences. Chinese scholars claim that the Chinese fishermen resisted the French efforts to occupy the Spratlys islands in the 1930s. The French actions in the South China Sea prompted a strong nationalistic movement in China. The Chinese government lodged protests against the French in the 1930s. And in the early 1930s, in response to French actions in the South

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<sup>11</sup> The following paragraphs present a brief review of some of the most important pieces of historical evidence that Chinese official documents and scholarly writings have frequently used. For comprehensive reviews of all the conflicting claims, see Marwyn S. Samuels, *Contest For The South China Sea* (New York and London: Methuen, 1982); Mark J. Valencia, *China and the South China Sea Disputes: Conflicting claims and potential solutions in the South China Sea*, Adelphi Paper, no. 298 (London: International Institute for Strategic Studies, 1995); Liselotte Odgaard, *Maritime Security between China and Southeast Asia* (Burlington, VT: Ashgate, 2002).

China Sea, the Chinese government began to step up efforts to officially regulate the publication of Chinese maps with regard to the South China Sea. This eventually led to the publication of an official map of the islands and islets in the South China Sea in April 1935. The Japanese controlled the Spratlys during World War II, but China was able to recover the Spratly Islands in late 1946.<sup>12</sup>

In December 1947, the government of the Republic of China published a map which not only located the main archipelagos, islands and other features in the South China Sea, but also contained the eleven dots (also called the U-shaped line) encompassing much of the South China Sea. This was the first time the eleven dotted lines appeared in an official Chinese map. In February 1948, the Chinese government published an administrative map illustrating China's claims in the South China Sea.<sup>13</sup> Chinese scholars claim that when the dotted lines were first publicised, no other state lodged any diplomatic protest.<sup>14</sup> They further claim that since then, many countries have published maps that actually recognise the Chinese eleven dotted lines.<sup>15</sup> The People's Republic of China (PRC) inherited the dotted lines after 1949. In 1953, the late Premier Zhou Enlai decided to drop the two lines in the Tonkin Gulf and Chinese maps published ever since show only nine dotted lines in the South China Sea area.<sup>16</sup>

The Chinese government has never officially explained the legal implications of the U-shaped line, nor has it clarified the scope of its claim in the South China Sea. But one thing is clear: Beijing regards the U-shaped line as one of the most important pieces of evidence for China's historical claim. In fact, Chinese scholars argue quite strongly for China's sovereign rights over the islands and other features in the South China Sea by referring to the U-shaped line. On the issue of possible conflict between the U-shaped line and the United Nations Convention on the Law of the Sea (UNCLOS), Chinese analysts maintain that the Chinese U-shaped line had been publicised long before the emergence of contemporary international law of the sea (including the UNCLOS) and that the new international maritime legal regime should not negate China's prior rights in the South China Sea. They believe that China should enjoy both the legal rights stipulated in the UNCLOS, e.g. the EEZ and continental shelf, as well as historical rights within the U-shaped line.<sup>17</sup> They argue that other claimant states should

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<sup>12</sup> For more details about China's historical claim, see Li Jinming, *nanhai zhengduan yu guoji haiyang fa* [South China Sea Disputes and International Law of the Sea], (Beijing: Ocean Press, 2003), pp.1-6; Wu Shicun, *zong lun nansha zhengduan* [A study on the South China Sea Dispute], (Haikou: Hainan Press, 2005), pp. 22-53.

<sup>13</sup> *Ibid.*, pp. 46-9.

<sup>14</sup> A typical counter-argument by Southeast Asian countries is that they were still under colonial rule and thus had no political power to officially challenge the Chinese position at that time.

<sup>15</sup> *Ibid.*, p. 49; Li Jinming, [South China Sea Disputes and International Law of the Sea], p. 54.

<sup>16</sup> Wu Shicun, [A study on the South China Sea Dispute], p. 49.

<sup>17</sup> Jia Yu, 'Nanhai "duan xu xian" de falu diwei' [The Legal Status of the Dotted Line in the South China Sea], *China's Borderland History and Geography Studies*, no. 2 (2005); Wang Yongzhi,

claim neither EEZ and continental shelf nor the islands and other land features into China's U-shaped line. They maintain that the UNCLOS only deals with the demarcation of maritime zones, it does not provide any legal basis for claims on islands and other land features in the sea. They argue that the historical and legal implications of the U-shaped line indicate that the islands in the South China Sea were already Chinese territory, and thus, other claimant states do not have the right to use their EEZ or continental shelf claims under UNCLOS to make any demands on the islands within the U-shaped line.<sup>18</sup>

### China's "Calculated Moderation" in the South China Sea

Throughout the 1990s, China has made great efforts to normalise and improve its relations with Southeast Asian states, partly in order to forestall the possibility of a United States-led containment/constraint against China. Departing from its initial approach that favoured bilateral relations, China got more involved in multilateral and regional institutions,<sup>19</sup> especially in frameworks that allowed Beijing to enhance its dialogue with ASEAN. When former president Jiang Zemin and all the ASEAN leaders organised the first ASEAN plus China Summit in December 1997, they issued a joint statement establishing a relationship of good neighbourliness and mutual trust for the twenty-first century. As a consequence, economic and political relations between China and the ASEAN countries developed rapidly,<sup>20</sup> but security relations were tarnished by territorial disputes in the South China Sea. At the turn of the century, however, the tensions began to decline thanks to a series of agreements: China and Vietnam signed a Treaty on the Land Border in December 1999 followed by an agreement demarcating maritime zones in the Gulf of Tonkin in 2000,<sup>21</sup> and in November 2002, China and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea (DOC). Meanwhile, at the ASEAN-China summit in November 2001, ASEAN leaders accepted China's proposal to create a China-ASEAN Free Trade Area (CAFTA) that would include China, Brunei,

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et al., 'Guanyu nanhai duan xu xian de zonghe taolun' [A Comprehensive Discussion of the South China Sea Dotted Line], *Journal of Ocean University of China (Social Sciences Edition)*, no. 3 (2008), pp. 1-5.

<sup>18</sup> Guo Yuan, 'dui nanhai zhengduan de guoji haiyang fa fenxi' [An Analysis of the Application of International Law of the Sea on the South China Sea Disputes], *beifang fa xue* [Legal Studies in the North], vol. 3, no. 14 (2009), pp. 133-8; Guo Yuan, 'hezuo: jiejie nanhan wenti de bi you zhi lu' [Cooperation: the inevitable approach to the solution of the South China Sea dispute], *China's Borderland History and Geography Studies*, vol. 19, no. 12 (June 2009), pp. 127-35.

<sup>19</sup> Christopher R. Hughes, 'Nationalism and Multilateralism in Chinese Foreign Policy: Implications for Southeast Asia', *The Pacific Review*, vol. 18, no.1 (2005), pp. 119-35; Ronald C. Keith, 'China as a Rising World Power and its Response to "Globalization"', *The Review of International Affairs*, vol. 3, no. 4 (2004), pp. 507-23.

<sup>20</sup> Saw Swee-Hock, Sheng Lijun, Chin Kin-Wah (eds), *ASEAN-China Relations, Realities and Prospects* (Singapore: ISEAS, 2005).

<sup>21</sup> Zou Keyuan, 'The Sino-Vietnamese Agreement on Maritime Boundary Delimitation in the Gulf of Tonkin', *Ocean Development and International Law*, no.36 (2005), pp.13-24.

Malaysia, Indonesia, the Philippines, Singapore and Thailand by the year 2010, followed by Cambodia, Laos, Myanmar and Vietnam by the year 2015.<sup>22</sup>

Generally speaking, China's approach to the South China Sea dispute in the past decade reflects the overall re-orientation of Beijing's diplomacy in Southeast Asia, which many pundits characterise as a "charm offensive" or "soft power". China has essentially attempted to seek some balance in pursuing its sovereign, economic, and strategic interests in the dispute. Given the political, economic, and strategic importance of the South China Sea for China, many people in China may have favoured the use of assertive means to push for China's interests in the area. However, in the past decade, there has been no major military conflict between China and other disputants.<sup>23</sup> Predictions that in the aftermath of the Asian financial crisis in 1997, ASEAN states would be unable to pressure China into accepting multilateral negotiations turned out to be incorrect.<sup>24</sup> China, on one hand, held a strong position on its claim of sovereignty at all diplomatic occasions, took piecemeal actions to consolidate its presence in the South China Sea, and responded with stern warnings when other disputants acted against Chinese interests. But on the other hand, Beijing felt that it had to address other more important goals in its foreign policy towards Southeast Asia, resulting in quite a few significant changes in actual Chinese behaviour.

For instance, China has shifted its previously adamant insistence on bilateral talks and is now gradually accepting multilateralism as an approach. It has signed the DOC, which is not a treaty in the legal sense but does serve as a moral restraint on the parties concerned. This demonstrates to some extent China's acceptance of norms to regulate issues concerning the South China Sea, no matter how primitive and informal the norms are. Together with the traditional "joint exploitation" proposal, the DOC indicated further Chinese willingness to compromise on the sovereignty claim. Also, by joining the ASEAN Treaty of Amity and Cooperation, China has legally committed itself not to use force against members of ASEAN. Another change in Chinese policy is Beijing's increasingly intense push for concrete programs of joint

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<sup>22</sup> Sheng Lijun, 'China-ASEAN Free Trade Area, Origins, Developments and Strategic Motivations', *ISEAS Working Paper*, International Politics and Security Issues Series No.1 (Singapore: ISEAS, 2003); Ian Storey, 'China-ASEAN Summit: Beijing Charm Offensive Continues', *China Brief*, Jamestown Foundation, vol.6, no. 23 (22 November 2006).

<sup>23</sup> The territorial dispute in the SCS is often cited as one evidence to support the dooms-day scenario of security in East Asia; see for example: Aaron L. Friedberg, 'Ripe for Rivalry: Prospects for Peace in a Multipolar Asia', *International Security*, vol. 18, no. 3 (Winter 1993-1994), pp. 5-33.

<sup>24</sup> For such prediction, see Allan Collins, *The Security Dilemmas of Southeast Asia* (Basingstoke: Macmillan, 2000), p. 169.

development,<sup>25</sup> when in the past, Beijing has been criticised for advocating “shelving disputes, joint development” without any practical proposals.

Why would China adopt these relatively more moderate policies? This is an important question, not only to understand the history of the past decade, but also to have some clue for future development. One factor that most observers can agree upon is insufficient capability of the PLA Navy (PLAN),<sup>26</sup> but this factor alone does not give us a satisfactory explanation. After all, China did take forceful actions in 1974, 1988 and 1995 when its navy was even more inferior. In reality, three major factors concurrently played a crucial role in shaping China's new approach: the need for a peaceful neighbourhood to foster domestic economic development, the importance of ASEAN, and strategic pressure from other external powers.

On top of these concerns, Beijing seems keener than ever to appear as a responsible major power in order to water down the “China threat theory” and portray itself as favouring dialogue, confidence building measures, and cooperative relations instead of aggressiveness and sabre-rattling, which could prove more damaging for its own interests. This new approach does not mean that China and the other claimant states can easily overcome their quarrels, but it does mean that China is willing to pay more attention to political and long-term strategic interests in Southeast Asia and to work out a win-win solution. Chinese analysts believe that solving the South China Sea dispute within the framework of a strategic partnership will be beneficial to China's core interests, including Chinese efforts to prevent Taiwan independence.<sup>27</sup>

As the popular saying goes, it takes two to tango. Without the positive response and reciprocity from other claimant states, the South China Sea would not have seen the current stable situation. Similar to the Chinese concerns, other regional states were also willing to adopt a more conciliatory stance because all of them needed a peaceful and stable external environment for their domestic economic programs. Many of them realised that confronting China in the South China Sea would be detrimental to a stable China-ASEAN relationship. Other external powers, such as the United States and Japan, also would not favour conflicts in the South China Sea for fear of disrupting maritime transportation and regional peace. The preponderant US military presence in East Asia and its extensive security ties with many Southeast Asian countries were factors that Chinese policy makers had to contend with. Beijing understood that a heavy-handed

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<sup>25</sup> This author's interviews with Chinese officials indicate that various Chinese agencies have been seriously exploring possible cooperative proposals.

<sup>26</sup> Felix K. Chang, 'Beijing's Reach in the South China Sea', *Orbis*, vol. 40, no. 3 (Summer 1996); Ralf Emmers, 'The De-escalation of the Spratly Dispute in Sino-Southeast Asian Relations', *RSIS Working Paper*, no.129 (6 June 2007).

<sup>27</sup> Tian Xinjian and Yang Qing, *Zhongguo haiyang bao* [China Ocean Newspaper], 14 June 2005.

Chinese approach would only push other claimant states much closer to Washington in the security arena.

## **Emerging Chinese Assertiveness**

Despite all the above-mentioned positive developments, there are signs that indicate China is likely to become more assertive in the South China Sea dispute in the near future. At the same time, the overwhelming mood among the policy makers and intellectual elite in China is still in favour of cooperation as a main approach to the dispute. How will these two trends play out? Will the interactions between the two approaches make the dispute worse and more complicated? Or is it possible that China's growing assertive posture in conjunction with efforts in pushing for benevolent programs and win-win deals would bring about more cooperation in the South China Sea?

### **THE CHINESE DISCONTENTS**

The changing Chinese posture towards assertiveness is a reflection of its growing discontent with the actions of other regional states, its desire to benefit economically in the South China Sea and the growth of its capabilities and power. To begin with, the Chinese are very angry at the forceful actions of other regional states against Chinese fishermen in the Spratlys area. One Chinese report notes that Chinese fishing communities are now increasingly reducing their fishing activities in the Spratlys area, which had been China's traditional fishing grounds in the South China Sea. Now China's regular fishing area in the Spratlys has been reduced to 7800 square kilometres as compared to the 83,000 square kilometres that were still available to the Chinese fishing community in 1989.<sup>28</sup> The Chinese media reports that since 1989, there have been over 300 instances of Chinese fishing vessels being arrested, expelled and even fired upon in the Spratlys area, and over eighty Chinese fishing boats and over 1800 Chinese fishermen have been arrested.<sup>29</sup>

While most Chinese analysts agree with the government position that "shelving disputes and joint development" should still be China's official position, some observers in China are increasingly critical of this policy. They argue that this policy has actually worked against Chinese interests in that it has actually allowed other claimant states to unilaterally exploit the resources in the South China Sea. Beijing is also unhappy at other states' attempt to rally under the ASEAN flag to put pressure on China. Chinese analysts believe that there is some sort of unity among ASEAN members on the South China Sea against China.<sup>30</sup> Liu, for instance, argues that ASEAN

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<sup>28</sup> Xi Zhigang, 'Zhongguo nanhai zhanlue xin siwei' [China's New Thinking on the South China Sea Issue], *moulue tiandi* [The Strategic Arena], no. 2 (2010), pp. 56-60.

<sup>29</sup> <[http://news.xinhuanet.com/mil/2010-04/06/content\\_13307981.htm](http://news.xinhuanet.com/mil/2010-04/06/content_13307981.htm)> [Accessed 5 April 2010].

<sup>30</sup> This may be Chinese misperception. Many outside observers may agree that ASEAN actually has not acted as a collectivity in dealing with China on the South China Sea issue. The

has played an active role in coordinating the positions of its member states, publicising joint statements to express ASEAN's collective concerns, engaging with China to discuss the dispute, and using the ASEAN Regional Forum (ARF) to discuss the South China Sea issue in order to exert pressure on China.<sup>31</sup>

Another notable complaint from China is the involvement of other major powers, in particular the United States. According to the understanding of Chinese scholars, Washington has been pursuing a policy of "active neutrality" in the South China Sea. Various US-led naval exercises in the South China Sea have reinforced Chinese analysts' negative view of Washington's role in the dispute. They note that the CARAT (Cooperation Afloat Readiness and Training) exercises between the United States and six Southeast Asian nations (the Philippines, Thailand, Singapore, Malaysia, Indonesia, and Brunei) in 2009, indicate that the United States is becoming more active in the South China Sea dispute, and largely against China. Beijing is also concerned about the improving military relations between Washington and Hanoi.<sup>32</sup> Chinese scholars believe that the US strategic influence and the American inclination to support other claimant countries have encouraged other claimant countries to further consolidate their sovereignty claims, further strengthen their de facto occupation, and unilaterally exploit energy resources.<sup>33</sup> Overall, many Chinese analysts conclude that the United States has continued to pursue a strategy of military preponderance in the South China Sea area and has become more active in the dispute as part of US strategy to contain or constrain China's rise.<sup>34</sup>

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failure of Vietnam to include the South China Sea dispute in the official agenda at the recent ASEAN summit was a good example.

<sup>31</sup> Liu Zhongmin, 'lengzhan hou dongnanya guojia nanhai zhengce de fazhan dongxiang yu zhongguo de duice sikao' [Developments and Trends in Southeast Asian Countries' South China Sea Policies and China's Responses], *nanyang wenti yanjiu* [Southeast Asian Affairs], no. 2 (2008), pp. 25-34.

<sup>32</sup> Zhang Zuo, 'mei jie "kalate" yanxi, buju nan zhongguo hai' [The US Making Plans in the South China Sea by Staging the CARAT Exercises], *huanqiu junshi* [Global Military Affairs], no. 202 (July 2009).

<sup>33</sup> He Zhigong and An Xiaoping, 'nanhai zhengduan zhong de meiguo yinsu jiqi yingxiang' [The US Factor in the South China Sea Disputes and its Impact], *dangdai yatai* [Journal of Contemporary Asia-Pacific Studies], no. 1 (2010), pp. 132-45; Cai Penghong, 'meiguo nanhai zhengce pouxi' [Analysing American Policy Towards the South China Sea Issue], *xiandai guoji guanxi* [Contemporary International Relations], no. 9 (2009), pp. 1-7, 35.

<sup>34</sup> Lu Fanghua, 'shi xi nanhai wenti zhong de meiguo yinsu' [An Examination of the US Factor in the South China Sea Problem], *dongnanya nanya yanjiu* [Southeast Asia and South Asia Studies], no. 4 (December 2009), pp. 6-10; Cai Penghong, [Analysing American Policy Towards the South China Sea Issue]; Wang Chuanjian, 'meiguo de nan zhongguo hai zhengce: lishi yu xianshi' [American South China Sea Policy: History and Reality], *waijiao pinglun* [Diplomatic Affairs], no. 6 (2009), pp. 87-100.

## GROWING CHINESE ASSERTIVENESS

In recent years, China has begun to pay more attention to the South China Sea, hoping to reap the benefits of energy resources in the area. Despite doubts about the reported reserve of oil and gas resources in the South China Sea by various international experts, the Chinese seem to be quite certain about the prospects of energy resources in the area. Zhang Fengjiu, a senior engineer at China National Offshore Oil Corporation (CNOOC), reports that up to 2007 China had discovered 323.5 billion cubic metres of natural gas in the South China Sea. He also notes that China has been extracting about 6 billion cubic metres of natural gas in the South China Sea annually, accounting for 88 percent of China's natural gas production in the sea.<sup>35</sup> In 2005, the Chinese Ministry of Land and Resources identified the South China Sea as one of the ten strategic energy zones and made plans to accelerate efforts to exploit the deep water oil and gas in the region. CNOOC and several scientific research institutes in China have stepped up efforts to further study the oil and gas reserves in the deep water area of the South China Sea.<sup>36</sup>

Various research institutes in China have started a comprehensive study on methane gas hydrate (the so-called combustible ice) in the South China Sea.<sup>37</sup> In August 2006, China announced that it planned to invest RMB800 million in studying the exploration of combustible ice in the South China Sea and intended to trial extract before 2015. It is estimated that the reserve of combustible ice in the northern part of the South China Sea alone would be equal to 50 percent of all the oil reserves in the Chinese land area.<sup>38</sup> CNOOC plans to invest RMB200 billion (US \$29 billion) before 2020 to set up 800 oil platforms in deep water areas. The company plans to produce 250 million tons of crude oil equivalent in deep water areas by 2015 and 500 million tons by 2020. CNOOC is now stepping up efforts, including developing the required technologies, equipment, and human resources, to meet these targets.<sup>39</sup>

Over the last decade, China has also made good efforts to enhance its maritime enforcement capabilities, including the development of the "unprecedented capability" to use satellites to monitor and conduct operations along its disputed maritime periphery.<sup>40</sup> Increasingly, China has begun to apply its enforcement capabilities to protect its interests in the

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<sup>35</sup> Zhang Fengjiu, 'wo guo nanhai tianranqi kaifa qianjing zhanwang' [The Prospect of Natural Gas Exploitation in the South China Sea], *tianranqi gongye* [The Natural Gas Industry], vol. 29, no. 1 (January 2009), pp. 17-20.

<sup>36</sup> *China Ocean Petroleum Newspaper*, 23 January 2009.

<sup>37</sup> *China National Land and Resources Newspaper*, 22 September 2008.

<sup>38</sup> <<http://www.chinamining.com.cn/news/listnews.asp?classid=154&siteid=74942>> [Accessed 22 March 2010].

<sup>39</sup> Zhou Shouwei, 'nan zhongguo hai shenshui kaifa de tiaozhan yu jiyu' [Challenges and Opportunities for Deep Water Exploitation in the South China Sea], *gao keji yu canyehua* [High-Technology and Industrialisation], December 2008, pp. 20-3.

<sup>40</sup> Peter J. Brown, 'China's Navy Cruises into Pacific Ascendancy', *Asia Times*, 22 April 2010.

South China Sea. In March, Chinese officials reportedly told their American counterparts that China would not tolerate any external interference in the South China Sea which is part of China's national "core interest".<sup>41</sup> It was the first time the Chinese included the South China Sea issue as a core national interest parallel to the issues of Taiwan and Tibet.<sup>42</sup>

The popular sense of discontent in China (particularly among the general public), growing economic interests in the area, and enhanced capabilities are fuelling the growth of assertive sentiment. There are unmistakable signs that China is going to step up its efforts to assert its interests in the South China Sea region, even though these apparently assertive actions may have other purposes unrelated to the South China Sea dispute. In early 2009, the Guangzhou Military Region air force conducted a large-scale exercise in the southern area of the South China Sea. Many Chinese analysts regarded the exercise, in particular the air-borne refuelling of China's indigenous J-10 jet fighters, as a deterrent signal to other claimant states in the South China Sea. The exercise indicates that China is "gradually taking steps to adopt a more assertive strategy" towards the South China Sea dispute instead of simply issuing diplomatic protests as it has done in the past.<sup>43</sup> In March 2009, China sent its Fishery Administration vessel 311, the largest fishery patrol vessel converted from a retired warship, to the Paracels for patrolling. In May, another Fishery Administration fleet patrolled the Paracels area again. On 1 April 2010, two Chinese Fishery Administration vessels set off for the South China Sea to protect the fishing activities of Chinese fishermen. Unlike similar patrols in the past, this time the Chinese government decided to use this mission to start regular patrols in the Spratlys area. At the sailing ceremony, Liu Tianrong, a senior official at the Fishery Administration of the South Sea Area said that the crews of the two vessels were determined to counter piracy, resist the arrests of Chinese fishing boats by other states, oppose the actions of other states in expelling Chinese fishing boats, and demonstrate Chinese sovereignty in the South China Sea.<sup>44</sup> From late March to early April, a flotilla of the PLAN North Sea Fleet took a long distance cruise to the South China Sea and conducted naval exercises.<sup>45</sup>

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<sup>41</sup> The truth of this report is still unknown. This author was told in an interview with a senior Chinese military officer that the Chinese expressed this view at an academic meeting and it does not represent the official government position on the South China Sea.

<sup>42</sup> <<http://www.nytimes.com/2010/04/24/world/asia/24navy.html?hp=&pagewanted=all>> [Accessed 25 April 2010].

<sup>43</sup> Xi Zhigang, [China's new thinking on the South China Sea issue].

<sup>44</sup> <[http://news.xinhuanet.com/mil/2010-04/06/content\\_13307981.htm](http://news.xinhuanet.com/mil/2010-04/06/content_13307981.htm)> [Accessed 6 April 2010].

<sup>45</sup> <<http://mil.huanqiu.com/china/2010-04/777498.html>> [Accessed 14 April 2010].

## **Constraints on China's Assertiveness and Benevolent Intentions**

Despite emerging signs of China's growing assertiveness, there are significant constraints that could limit China's muscle-flexing. China faces several dilemmas in the South China Sea dispute. First of all, the predicament is how to maintain a balance between protecting its sovereignty and other maritime interests in the South China Sea and at the same time sustaining a peaceful and stable relationship with Southeast Asian countries, particularly those nations that are direct claimant states. Southeast Asia has often been dubbed as China's strategic backyard. Beijing needs to maintain good relations with its Southeast Asian neighbours in order to diffuse the "China threat" thesis, cultivate a positive image of China in the international scene, and push for multi-polarisation in world politics. A heavy-handed Chinese approach could easily swing other claimant states to the security embrace of the United States and other external powers like Japan and India. Secondly, Beijing has to constantly confront the difficult maritime disputes posed by Japan in the East China Sea. The challenges in the East China Sea are no less daunting than those in the South China Sea. In fact, in recent years, numerous crisis situations have emerged between China and Japan. Japan is a much stronger rival, both in terms of economic and military power, for China in the maritime domain. The challenge for Beijing is how to avoid the simultaneous occurrence and escalation of maritime conflicts in both the East and in the South. In this sense, China will have to tread carefully in the South China Sea in order to avoid a two-front confrontation in the maritime domain. Thirdly, and perhaps most importantly, China's political elite have exhibited a sober-minded inclination that deems domestic socio-economic development as the most central task for decades to come. Chinese elites firmly believe, perhaps rightly so, that a peaceful and stable environment, particularly in the East Asian neighbourhood, is indispensable for the sustained domestic economic growth upon which the legitimacy of the ruling political elite largely relies.

In this larger strategic context, Beijing has pursued, and is likely to continue to pursue, a more or less moderate security policy in the South China Sea. The imperative of the domestic socio-economic agenda, the importance of Southeast Asia in China's overall international strategy and regional policy, and strategic pressure from other major powers—particularly the United States—have effectively shaped China's "calculated moderation" in the South China Sea as discussed above.<sup>46</sup> Very likely, all the factors that have propelled China onto a cooperative track will continue to exist and function as they have. There is no sign that China is taking the risk of sacrificing its domestic economic growth by taking a coercive approach in the South China Sea disputes. Even recently, the Chinese perception of its strategic

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<sup>46</sup> Li Mingjiang, 'Security in the South China Sea: China's Balancing Act and New Regional Dynamics', *RSIS Working Paper*, no. 149 (February 2008).

environment has not fundamentally changed a bit. The Asia-Pacific Blue Paper 2010, published by the Chinese Academy of Social Sciences in April, concludes that China's security situation in its neighbourhood has not seen any improvement. The paper argues that major powers in East Asia have stepped up their efforts to constrain China, and the apprehension of smaller regional states towards China has further deepened due to "their misperception of China's rise". The policy paper suggests that Beijing should respond to this security environment by adopting these policies: strengthening China's own power, stabilising Sino-US relations, pursuing a good-neighbourly policy to expand China's influence in its neighbourhood, and further building China's soft power to improve China's image in the region.<sup>47</sup> The fact that the Chinese patrol vessels did not use forceful means against the fishing boats of other countries in the April mission attests to the caution that still exists in Chinese ambitions to advance its interests. Even though the Chinese patrol mission in the Spratlys area has now become regular, Beijing has taken precautionary measures to avoid the occurrence of skirmishes and to prevent small frictions from escalating into conflicts.<sup>48</sup>

Growing Chinese assertiveness, albeit possibly at a limited scale, might put pressure on other claimant states to more seriously consider various cooperative mechanisms, i.e. functional cooperation or "joint development". Chinese initiative in making win-win proposals would certainly help forge more substantive cooperation among the disputant parties. A good example of China's willingness to practice benevolence is the demarcation in the Tonkin Gulf between China and Vietnam. According to the agreement, China and Vietnam were entitled to 46.77 percent and 53.23 percent of the Gulf respectively. The two countries also agreed to set up a joint fishery zone and jointly explore the energy resources across the boundary line.<sup>49</sup> On 16 November 2006, CNOOC and PetroVietnam signed an agreement to jointly explore the energy reserve in a mutually agreed area in the Tonkin Gulf.<sup>50</sup> The successful demarcation of the Tonkin Gulf could be a good example of China pushing for more benevolent objectives in the South China Sea.

To push for win-win deals, one step that China may need to undertake is to further clarify its positions on its claims in the South China Sea. For many years, Beijing has pushed for a "joint development" scheme in the South China Sea. But at the same time, China has occasionally insisted that other

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<sup>47</sup> <<http://gb.chinareviewnews.com/doc/1012/8/1/2/101281263.html?coluid=151&kindid=0&docid=101281263&mdate=0406170507>> [Accessed 6 April 2010].

<sup>48</sup> Author's interviews with various Chinese agencies in charge of maritime affairs.

<sup>49</sup> Wu Jiahui, et al., 'zhong yue beibuwan huajie shuangying jieguo dui jie jue nanhai huajie wenti de qishi' [The Win-Win Results in Sino-Vietnamese Tonkin Gulf Demarcation and the Implications for Maritime Delimitation in the South China Sea], *redai dili* [Tropical Geography], vol. 29, no. 6 (November 2009), pp. 600-3.

<sup>50</sup> See CNOOC's official website: <<http://www.cnooc.com.cn/data/html/news/2007-05-10/276149.html>> [Accessed 10 June 2010].

claimant states have to recognise Chinese sovereignty in the South China Sea as a precondition. As one can imagine, regional states have categorically refused to accept the Chinese precondition. In fact, the Chinese “my sovereignty” precondition has served as a significant impediment for any “joint development” program. In light of the emerging consensus among Chinese scholars on the definition of the U-shaped line along with bilateral and multilateral practice that has taken place in the South China Sea, it is possible for China to provide a clearer definition of the implications of its U-shaped line and begin practicing significant flexibility in its “my sovereignty” precondition.

Many Chinese analysts believe that Beijing should now provide a more clear-cut explanation of the U-shaped line sooner rather than later given the fact that other regional claimant states have claimed their EEZ and continental shelf in the South China Sea and have been aggressively exploiting the oil and natural gas resources in the area.<sup>51</sup> The ongoing talks with Vietnam on the demarcation of the maritime zones and resource development south of the Tonkin Gulf have added to the urgency for China to clarify its position on the U-shaped line.<sup>52</sup> Chinese analysts are aware of the importance of continuous and effective jurisdiction in international arbitrations for the ownership of islands. They believe that the high profile patrol missions in 2009 conformed to the Chinese aim of consolidating jurisdiction over the islands and waters of the South China Sea. However, they also caution that China will need to proclaim its maritime base line in the Spratlys along with its EEZ and continental shelf. All these measures are urgently needed because the Chinese patrol missions, which have now become regular, will have to be based on certain legal grounds. Without these legal measures, it is difficult for the Chinese patrol crews to determine the boundary of their patrols and to take appropriate action to protect China’s maritime interests in the Spratlys area.<sup>53</sup>

Instead of claiming the whole South China Sea area, the majority of Chinese scholars believe that China enjoys “historical rights” in the South China Sea.<sup>54</sup> Over the years, the debate among Chinese scholars has resulted in a clearer understanding of what constitutes these “historical rights”. First of all, many Chinese analysts believe that China has little legal basis to claim sovereignty over the whole South China Sea area. In other words, “historical

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<sup>51</sup> Wang Yongzhi, et al., [A Comprehensive View of the South China Sea Dotted Line].

<sup>52</sup> Li Linghua, ‘nanhai zhoubian guojia de haiyang huajie lifa yu shijian’ [Regional States’ Legislation and Practice in Maritime Demarcation in the South China Sea], *Journal of Guangdong Ocean University*, vol.28, no.2 (April 2008), pp. 6-11.

<sup>53</sup> Li Jinming, ‘nanhai jushi yu yingdui hanyangfa de xin fazhan’ [The Situation in the South China Sea and Responses to the Latest Developments in the International Law of the Sea], *nanyang wenti yanjiu* [Southeast Asian Affairs], no. 4 (2009), pp. 12-9.

<sup>54</sup> Li Jinming, [South China Sea Disputes and International Law of the Sea], p. 59; Zou Keyuan, ‘Historic Rights in International Law and in China’s Practice’, *Ocean Development & International Law*, vol. 32, no. 2 (2001).

rights” do not translate to full sovereignty over the whole South China Sea. A group of researchers at the South China Sea Bureau of the State Ocean Administration argue that the U-shaped line should only indicate China's ownership of the islands in the South China Sea because it was the original intention of the Chinese government in 1947-48 in drawing the line. They believe that only this position would be consistent with numerous official proclamations of the PRC and various contemporary international laws of the sea. They further argue that Chinese interests may not be compromised too much because these islands, if under China's ownership, would have their own territorial sea, EEZ, and continental shelf.<sup>55</sup> Li Linghua, a researcher at the State Ocean Information Center, contends that China's base line in the Paracels is not consistent with the UNCLOS and China should strictly abide by the rules of the UNCLOS when it promulgates its baseline in the Spratlys.<sup>56</sup> According to this understanding, China would claim full sovereignty over the islands and other land features, accept the stipulations of the UNCLOS for the islands' adjacent waters, and consider “historical rights” over the resources beyond the EEZ but within the U-shaped line.<sup>57</sup> However, it is still unclear how Chinese analysts would interpret the “historical rights” in the South China Sea.

The Chinese government has repeatedly stated that it claims sovereignty over the islands and sovereign rights over their adjacent waters in the South China Sea. It is unclear how China would define the parameter of the “adjacent waters”. China also submitted a South China Sea map with the U-shaped line to the United Nations Commission on Limits of Continental Shelf without any explanation of the validity and implications of the line in 2009. This further raises the concern of China practising deliberate ambiguity in its claims in the South China Sea. If China could more explicitly proclaim that it does not seek to own sovereignty over the whole South China Sea, it would make it possible for China to drop the “my sovereignty” precondition when it comes to “joint development”. In fact, China has, in practice, shown considerable flexibility in its “my sovereignty” precondition. In fact, Chinese words and actions have significantly weakened the ground on which it could claim the South China Sea within the U-shaped line as part of Chinese traditional territory or historical water. In various official proclamations, Beijing has only claimed “sovereignty and sovereign rights over the islands and their adjacent waters” in the South China Sea. China has openly stated that it would allow the freedom of international communications in the South China Sea, including maritime navigation, flights in the airspace over the South China Sea, and the laying of cables and pipelines on the seabed. The China-Philippine-Vietnam joint seismic study, which was essentially part of

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<sup>55</sup> Wu Jiahui, et al., [The Win-Win Results in Sino-Vietnamese Tonkin Gulf Demarcation and the Implications for Maritime Delimitation in the South China Sea].

<sup>56</sup> Li Linghua, [Regional States' Legislation and Practice in Maritime Demarcation in the South China Sea].

<sup>57</sup> Jia Yu, [The Legal Status of the Dotted Line in the South China Sea].

“joint development” did not require any recognition of China’s sovereignty in the area under study. China has already accepted “joint development” in its EEZ and continental shelf in the East China Sea with Japan and in the Tonkin Gulf with Vietnam; in neither case did China require the other party to accept Chinese sovereignty as a precondition. China also categorically rejected Vietnam’s suggestion of treating the Tonkin Gulf as an area of historical water during their demarcation negotiations. China is currently negotiating with Vietnam over “joint development” in the area south of the Tonkin Gulf, which is essentially part of the South China Sea.

If China indeed interprets its historical claim in the South China Sea as various Chinese analysts have proposed, there is no need for China to insist on the “my sovereignty” precondition for “joint development”. Insisting on “my sovereignty” contradicts the notion of “shelving disputes”. In fact, all other claimant parties could also drop their positions of sovereignty in regards to joint exploitation proposals because the UNCLOS stipulates that no country enjoys sovereignty beyond the 12 nautical miles territorial sea. After all, the proposed “joint development” plan is not about the islands. If China could take the lead to further downplay sovereign claims in the South China Sea waters, it would significantly remove a barrier to “joint development”.

A clearer Chinese position on its claims in the South China Sea and Chinese willingness to push for benevolent objectives, i.e. truly win-win situations, would facilitate serious discussions of some of the grand proposals that have emerged. Xue Li, a senior strategic analyst at the Chinese Academy of Social Sciences, proposes a Spratly Energy Development Organization to include all the seven claimant parties to jointly explore and exploit the energy resources in the Spratlys area.<sup>58</sup> Some Chinese scholars also believe that it would be a good idea to establish a South China Sea economic circle.<sup>59</sup> Further downplaying sovereignty in the South China Sea would help accelerate progress in the emerging Pan-Beibu Gulf Economic Zone, a plan that the Chinese government has been eager to push forward.<sup>60</sup> Joint development and closer economic integration around the South China Sea could help enhance understanding and gradually build consensus through cooperation so that one day in the future, various parties could find more

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<sup>58</sup> Xue Li, ‘nansha nengyuan kaifa zuzhi: nanhai wenti de chulu’ [Spratly Energy Development Organisation: a Solution for the South China Sea Issue], *shangwu zhoukan* [Business Weekly], 20 June 2009, pp. 60-2.

<sup>59</sup> Yu Wenjin, et al., ‘nanhai jingji quan de tichu yu tantao’ [A Proposal and Analysis of the South China Sea Economic Circle], *diyu yanjiu yu kaifa* [Areal Research and Development], vol. 27, no. 1 (February 2008), pp. 6-10.

<sup>60</sup> For a detailed study of the Pan-Beibu Gulf Economic Zone, see Gu Xiaosong and Li Mingjiang, ‘Beibu Gulf: Emerging Sub-regional Integration between China and ASEAN’, *RSIS Working Paper*, no. 168 (January 2009).

realistic options to solve the problem once and for all.<sup>61</sup> It may even be possible to submit the disputes to international arbitration in the future.<sup>62</sup>

## Conclusion

The South China Sea dispute is an extremely complicated issue. Obviously, it would be unrealistic to expect any final solution in the foreseeable future. Over the years, contentions among the claimant parties have never stopped. Any step by one party, whether it be symbolic action to demonstrate effective jurisdiction or to exploit the islands or waters for economic purposes, has always invited strong diplomatic responses from other parties. Frequent frictions, however, should not obscure the fact that the disputant countries have managed the dispute in the past decade fairly well. No major military conflict has taken place, and as a matter of fact, there have been some positive developments in the area. Apparently, the parties concerned are still interested in seeking cooperative mechanisms to further ameliorate the security tensions in the area. This could foster a propitious regional environment for China to further push for cooperative schemes in the South China Sea.

To be sure, no party is going to easily give up its claims in the South China Sea. Fortunately, political leaders have realised the danger of escalating the conflict and have opted for measures to maintain the overall stability in the region. Ultimately, political decision makers will have to realise that no country has a perfect claim in the South China Sea. The fact that all claimant states agree that disputes exist in the South China Sea indicates that these claims are not totally groundless. This should be the basis for substantive cooperation.

China will no doubt play a crucial role in determining whether there is war or cooperation in the South China Sea. As its naval power and law enforcement capabilities and maritime economic interests grow, China is likely to be more assertive in the coming years. The PLAN's patrol missions in the Gulf of Aden seem to have contributed to the growth of Chinese confidence in carrying out a more assertive policy in the South China Sea. But at the same time, Beijing will realise that it has other even more important strategic and political interests to take into consideration. At the moment, there seems to be no Chinese agenda addressing how it would assert its maritime interests in the South China Sea, but very likely, Chinese

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<sup>61</sup> Li Guoxuan, 'nanhai gongtong kaifa zhiduhua: neihan, tiaojian yu zhiyue yinsu' [The Institutionalisation of Joint Development in the South China Sea: Scope, Conditions, and Constraints], *nanyang wenti yanjiu* [Southeast Asian Affairs], no. 1 (2008), pp. 61-8; Li Guoqiang, 'dui jie jue nansha qundao zhuquan zhengyi jige fang'an de jixi' [An Analysis on the Proposals for the Solution of Sovereignty Disputes over the Spratly Islands], *China's Borderland History and Geography Studies*, no. 3 (2000), pp. 79-83.

<sup>62</sup> Guo Yuan, [An Analysis of the Application of International Law of the Sea on the South China Sea Disputes].

leadership will constantly examine the reactions from other parties and proceed accordingly. The demonstration and growth of Chinese assertiveness are likely to be incremental and limited.

At the same time, the overwhelming mood in China is in favour of cooperation to stabilise the South China Sea. China has also been increasing its capabilities to deal with various non-traditional security issues in the sea. It could play a more active role in all sorts of non-traditional challenges in the South China Sea. China might attempt to act unilaterally in this regard if other states are reluctant to join. In fact, it is even possible that China might attempt to use the excuse of tackling non-traditional security threats to advance its interests in the South China Sea. Chinese activism in the South China Sea could create a dilemma for other states. They could either choose to resist Chinese assertive moves unilaterally, multilaterally or even with some assistance from external powers. This outcome would seriously aggravate the security situation in the South China Sea and badly affect the relations between China and Southeast Asia. Alternatively, they could choose to engage with China to collectively deal with various challenges in the maritime domain and perhaps even undertake joint exploitation of the energy and other natural resources in the South China Sea.

In either case, new dynamics are likely to emerge in the South China Sea. To a large extent, the eventual security situation in the South China Sea will be shaped by Chinese actions. After a decade of practicing a moderate security policy in the South China Sea, cultivating consensus on the nature and scope of its claim, and promoting win-win deals with other littoral states in its neighbourhood, China now has more room and flexibility to propose clearer benevolent programs and push for the common good in the South China Sea. If the cooperative sentiment overrides the impetuous incentives in China and regional states find it more beneficial to respond positively to various cooperative proposals, there is hope that peace and stability in the South China Sea could be sustained, at least in the coming decade.

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