

For several decades, the countries sharing the coastlines of the South China Sea have been engaged in disputes over the ownership of a series of islands, the Spratly and Paracel Islands. The availability of offshore oil and gas resources in the islands' proximity has been the main reason for such territorial disputes. This reality in a region with growing energy consumption and limited indigenous resources has pitted China, Brunei, Malaysia, the Philippines, Taiwan and Vietnam against each other. Their competition over the ownership of these islands is not therefore something new. However, China's recent disputes with some of the regional countries (e.g., Vietnam and the Philippines), taking a military/confrontational form, cannot be explained only as a simple manifestation of the same old story. Rather, they reflect a new reality geared to China's gaining self-confidence as a rising superpower in search of energy security in a multi-polar world beset with many uncertainties.

### Background

Since the beginning of 2011, China has been engaged in low-level use of its naval assets with a few regional countries (Philippines and Vietnam) in the vicinity of disputed territories. On February 25, for example, a Chinese warship fired three shots at the Filipino fishermen in a disputed region of the South China Sea. Apart from such activity, China also demonstrated its resolve by sending one of its largest patrol ships to the South China Sea amid heightened tensions over these disputed waters on June 16th. A day after, this show of force prompted a reaction in kind by the Philippines as it announced sending its biggest warship, a World War II vessel, to a disputed part of the South China Sea. Yet, China's muscle flexing has been more clearly evident in its dealing with Vietnam. For example, on May 26, three Chinese patrol boats halted a seismic survey conducted by a Vietnamese ship in the Spratly waters claimed by Vietnam as part of its exclusive economic zone. Reportedly, the Chinese boats cut the ship's cables used for seismic purposes. The development triggered Hanoi's angry reaction demonstrating its preparedness to meet Beijing's challenge. On June 13, Vietnam's navy held live-firing exercises in an area about 40 km off central Quang Nam Province after warning other vessels to steer clear.

As of August 2011, China's muscle flexing in the South China Sea's disputed waters has not been translated into actual naval battles to secure China's control over the disputed areas. Rather, Chinese objectives seem to have been confined to deterring regional countries from their plans to explore and eventually extract the oil and gas resources from these fields.

### Contributing factors

Apart from China's historic territorial disputes with its South China neighbors, certain factors have contributed to its use of military force. First and foremost, China's energy requirements are huge (2,432.2 million tons of oil equivalent [mtoe] in 2010.) The growing bulk of this demand is fossil energy despite efforts to increase the share of renewables and nuclear energy in its energy mix (7.8% in 2010). Notwithstanding its significant domestic oil, gas and coal production (203.0 million tons, 87.1 mtoe and 1800.4 mtoe in 2010 respectively), its consumption (respectively, 428.6 million tons, 98.1 mtoe and 1713.5 mtoe) has been growing rapidly to make it heavily dependent on imports, particularly on oil and gas. Although its coal production is quantitatively larger than its consumption, China is increasingly becoming dependent on coal imports due to the low quality of some of its mined coal (164.83 million tons in 2010). The rapid depletion of China's domestic resources while its consumption is growing will surely further increase China's heavy dependency on fossil energy imports with political, economic, financial and military/security implications for the country.

Given this reality, China has sought to maximize its domestic production of such energy. Developing South China Sea oil and gas resources will certainly decrease its dependency on imported oil and gas from far afield while improving its energy security by expanding the share of domestically-produced oil and gas in its energy mix.

Certain concerns constitute other contributing factors to China's recent military posture in the South China Sea shared by many other major Asian energy consumers. One is the availability concern, i.e., whether enough oil and gas will be available for China from its supplying countries. Hence, China is concerned about the availability of Arab oil/gas (LNG) supplies given prevailing political instabilities in countries like Algeria and Egypt, and in the case of war in countries like Libya and Yemen. There is also the fear of the expansion of instabilities/war to other Arab oil/gas exporters in the Persian Gulf (Saudi Arabia, Kuwait, Qatar, Oman and the UAE).

China is also concerned about the availability of African oil supplies owing to the independence of Sudan's southern tier containing about 90% of the country's oil reserves. It is noteworthy that China, India and Malaysia have been the main investors in Sudan's oil industry in the absence of the major Western investors. Nigeria's civil war and lawlessness have also made China concerned about its Nigerian supplies.

China is additionally concerned about the availability of Iranian oil/gas (LNG) supplies due to the expanding UN-approved and unilateral sanctions on Iran the country with the world's second largest oil and gas reserves. By creating barriers to financial transfers to/from Iran, sanctions have made oil imports from Iran to China and other consumers of Iranian oil difficult. Finally, closely-related to availability concerns China is also concerned about a Western effort to physically control major oil/gas exporting countries such as Libya under current conditions. Their fear is that developments could end or limit China's access to such suppliers.

Affordability is another Chinese concern. This implies the unavailability for China of imported oil, gas and coal at affordable prices in a sustainable manner. For the last decade and especially last year, the cost of acquiring fossil energy has been rising and is especially evident in significant increases in oil and coal prices. Accordingly, the price per barrel of oil has jumped from \$98.23 in July 2010 to \$117.24 in July 2011. Similarly, coal prices have increased from \$105.2 per ton in June 2010 to \$127.8 per ton in June 2011. While increasing oil prices have been anticipated given global developments, coal price hikes in Asia-Pacific have been due to the growing need for cheap energy, and due to the depletion of regional oil/gas resources and Japan's increasing use of coal in the post-Fukushima era. In short, all projections based on current verifiable trends suggest that high fossil energy prices and particularly oil prices will last into the foreseeable future because of high demand and political uncertainties in many oil-producing countries.

### Consequences

At a time when large and emerging economies are experiencing steady growth in their energy requirements, all of the mentioned factors pose a challenge to the energy security of these countries, including China as the world's second largest energy consumer. The consequences of this reality have been growing competition between major Asian energy consumers/importers with Western ones over access to the fossil fuel resources found in energy-rich regions. This has affected emerging economies' foreign and defense policies and may become a source of regional/global tensions, crises and conflicts in the near future. Furthermore, there has been a growing rivalry between and among major Asian major economies/powers (China, India, Japan and South Korea) over access to fossil energy-rich regions: a contributing factor to damaging their bi-and-multilateral ties.

Given these realities, it is not surprising to witness regional competition over access to untapped regional resources contributing to territorial disputes, e.g., China's growing conflicts with Southeast Asian countries over the disputed oil/gas-rich regions in the South China Sea. Access to these resources is especially important for China given vulnerabilities in its naval capabilities necessary to secure its oil/gas supply routes and to ensure the availability of supplies under all conceivable scenarios. This factor (i.e., being concerned about the insecurity of sea routes in case of conflict with the US or as a result of the latter's conflict with third parties) has encouraged China to seek more oil/gas imports via land routes from exporting countries in its proximity (where China has a land-based military advantage). This factor has prompted a growing competition over Iranian, Central Asian, Russian and Burmese oil/gas resources with political and possibly military implications for all concerned parties.

Against this background, it is understandable why China is seeking to expand its own resources by extending control over certain offshore oil/gas fields in its proximity and raises the attractiveness of South China Sea energy resources. If fully controlled and developed by China, such resources will help this Asian power reduce its reliance on imported oil and gas. Taken together, all of these factors have contributed to China's military behavior in the South China Sea.

There is another contributing factor to China's posture which is its growing confidence as a rising superpower. Undoubtedly, its recent military showdowns clearly indicate a change of attitude towards international relations and its role in global affairs. In the 1980s, 1990s and most of the previous decade, China strove to avoid any kind of confrontation with the West. This was considered essential for addressing its underdevelopment and expanding its export-oriented economy. By and large, it has pursued a policy of subservience in international relations avoiding criticizing and challenging Western, Asian (Japan) and Eurasian (USSR/Russia) powers. However today it has gained confidence as the world's second largest economy seeking to translate its economic power into political and military realms. Consequently, the military developments in the South China Sea indicate that China is no longer willing to accept any subordinate role in world politics. This is evident in its current dealings with not only the US and the European Union, but also with India, Japan and Russia. Within this context, China views Asia, at least the Asia Pacific region, as its own backyard and a place where it feels strong enough and unchallenged enough to flex its muscle without a fear of intolerable reprisal from other regional and non-regional powers.

### Future trends

Neither China nor regional countries like Vietnam and the Philippines and others like the US wish to engage in a large-scale military conflict in the South China Sea. All these players need

## China and Recent Military Showdowns in the South China Sea

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decades of peace and stability to address their differing weaknesses or underdevelopment. As a result all of them, including China, have stressed finding peaceful settlements to territorial disputes. However, it is unlikely that such settlements will be reached in the near future given the importance of offshore oil/gas resources for all South China Sea states. None of the involved states are willing to surrender to another's territorial claims regardless of the sustainability of its claim. Certain other factors, including a history of conflict and mistrust between China and Vietnam for example further create obstacles to consensus building. More small-scale military confrontations may well be the case into the foreseeable future.

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