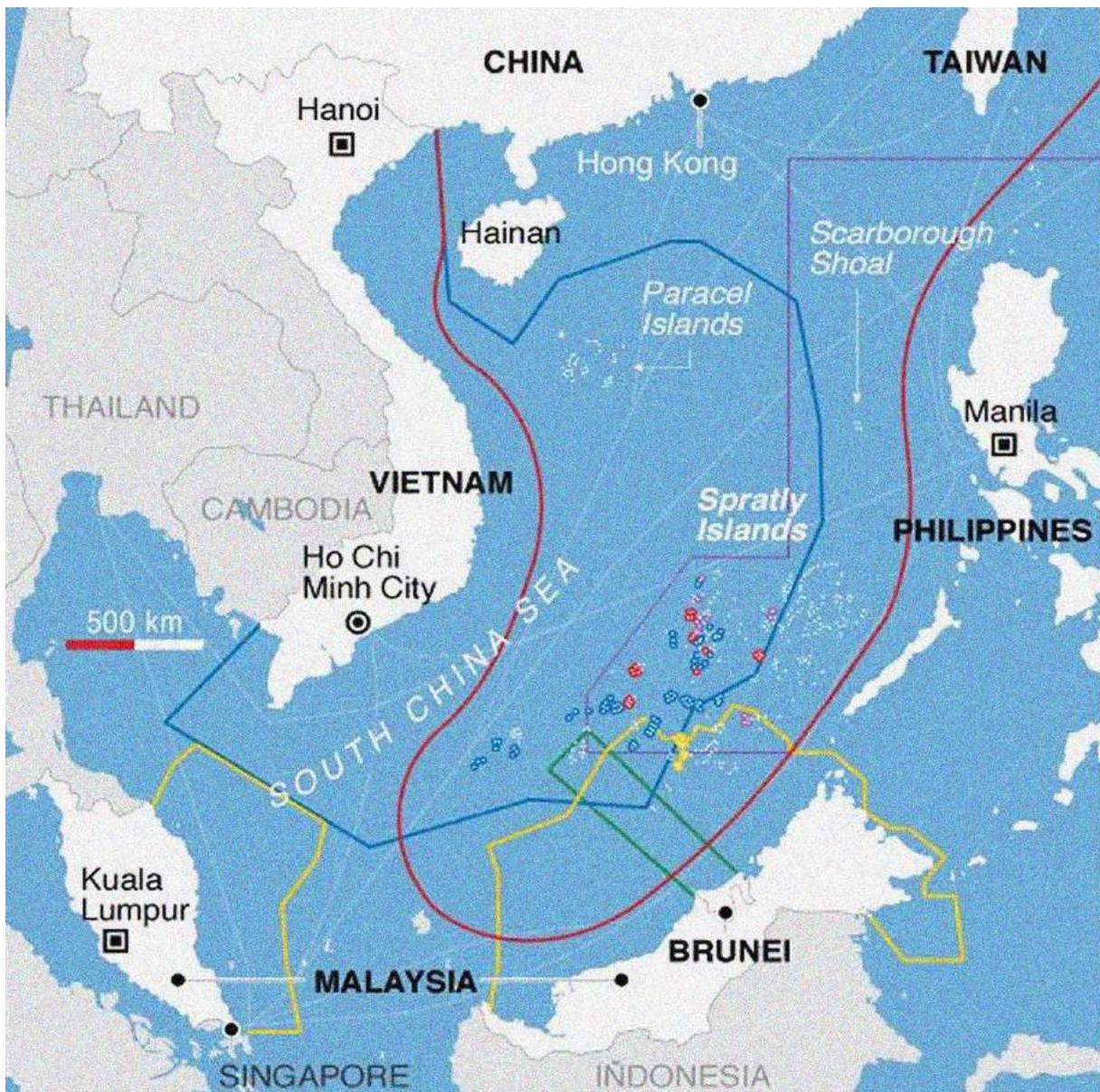


# CAG-ACRI South China Sea Conference February 10-11 2017



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## The Conference Organisers



The Centre on Asia and Globalisation (CAG) was established in 2006 at the Lee Kuan Yew School of Public Policy, National University of Singapore. Since 2011, CAG has developed widespread collaborative networks and relationships with major think tanks, research centers and policy institutions in the European Union, China, India, Japan, South Korea, Russia and the United States. Through such collaborations, CAG establishes a platform with a global reach for meaningful and constructive exchanges among leading scholars and experts on important issues in world affairs.



In 2014, the University of Technology Sydney (UTS) established the Australia-China Relations Institute (ACRI) as a think tank to illuminate the Australia-China relationship. Chinese studies centres exist in other universities. ACRI, however, is the first think tank devoted to the study of the relationship of these two countries. ACRI's work is based on a positive and optimistic view of Australia-China relations, capturing the spirit of the 2014 announcement of a Free Trade Agreement and the commitments by both countries to a Comprehensive Strategic Partnership. It is a UTS entity providing rigorous and independent scholarly research and evidence-based analysis of the highest quality to key stakeholders in the Australia-China relationship, including the Australian public.

***The Centre on Asia and Globalisation (CAG) and the Australia-China Relations Institute (ACRI) South China Sea Conference Agenda***

Dates: February 10<sup>th</sup>-11<sup>th</sup>, 2017

Location: Sydney, Australia

Venue: University of Technology Sydney

Day 1: 10<sup>th</sup> February

8:30: Conference Registration

9:00 Welcoming Remarks by The Hon. Bob Carr and Professor Huang Jing

9:30-10:40: **First Panel: Strategic Review**

*Discussant:* Professor the Hon. Bob Carr, Director, Australia-China Relations Institute, University of Technology Sydney

*Presenters:*

- 1) Professor Evelyn Goh, Shedden Professor of Strategic Policy Studies, College of Asia and the Pacific, Australian National University
- 2) Dr Mira Rapp-Hooper – Senior Fellow, Center for a New American Security
- 3) Dr Liu Qing, Director, Asian Pacific Department, China Institute of International Studies

10:40 – 11:10: Coffee Break

11:10 - 12: 50: **Second Panel: Stakes and Policies of the User States (The U.S., China, and Japan)**

*Discussant:* Dr Liu Yawei – Director, China Program, The Carter Center

*Presenters:*

- 1) Mr Gregory Poling - Director, Asia Maritime Transparency Initiative, Center for Strategic and International Studies (CSIS)
- 2) Dr Lu Yin – Associate Researcher, National Defense University, China
- 3) Dr Kei Koga, Assistant Professor, Public Policy and Global Affairs Programme, School of Humanities and Social Sciences, Nanyang Technological University (NTU)

1:00 – 2:00: Working Lunch

2:00 – 3:40: **Third Panel: Stakes and Policies of the User States (India, Russia, and ASEAN)**

*Discussant:* Mr Blake Harley Berger, Senior Research Fellow, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

*Presenters:*

- 1) Dr Tan See Seng – Professor of International Relations and Deputy Director and Head of Research of the Institute of Defence and Strategic Studies, S. Rajaratnam School of International Studies, Nanyang Technological University
- 2) Dr Alexander Korolev – Research Fellow, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore
- 3) Mr Blake Harley Berger – Research Associate, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

3:40 – 4:00: Coffee Break

4:00 – 5:40: **Fourth Panel: The SCS: Lynchpin of the Shift of Strategic Balance**

*Discussant:* Professor Huang Jing, Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

*Presenters:*

- 1) Professor Carlyle Thayer, Emeritus Professor of Politics, School of Humanities and Social Sciences, University of New South Wales Canberra at the Australian Defence Force Academy
- 2) Ms Darshana Baruah, Research Analyst, Carnegie India
- 3) Dr Alexey D Muraviev – Professor, Head of Social Sciences and Security Studies, Curtin University

6:30 – 7:30: Reception

7:30 – 9:30: Dinner

Day 2: 11<sup>th</sup> February

9:00 – 10:40: Fifth Panel: U.S. – China Relations and its Impact

*Discussant:* Dr Liu Yawei – Director, China Program, The Carter Center

*Presenters:*

- 1) Dr John Blaxland - Professor, Strategic and Defence Studies Centre, ANU College of Asia and the Pacific, Australian National University
- 2) Professor Huang Jing – Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

3) Dr Bonji Ohara – Director, Policy Research, The Tokyo Foundation

10:40 – 11:00: Coffee Break

11:00 – 12:40: Sixth Panel: Towards Effective Management and an Eventual Solution

*Discussant:* Professor Huang Jing, Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

*Presenters:*

- 1) Dr Hong Nong - Executive Director and Senior Fellow – Institute for China– America Studies
- 2) Dr Sam Bateman - Professorial Research Fellow, the Australian National Centre for Ocean Resources and Security (ANCORS), the University of Wollongong, Australia

12:40 – 2:30: Lunch Roundtable: What’s Next

*Chairs:*

Professor the Hon. Bob Carr, Director, Australia-China Relations Institute, University of Technology Sydney

Professor Huang Jing – Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore



# **CAG-ACRI South China Sea Conference February 10-11 2017**

## **Conference Report**

### **Panel One: Strategic Review**

This panel provided an overview of the South China Sea dispute, the differing perspectives of the regional strategic balance and how the dispute has become an arena for the major powers to engage each other. Specifically, it addressed how China's rise has brought about the re-emergence of the South China Sea dispute, how the dispute has become the centre of international attention and how the shifting strategic balance has impacted its management, which is not only urgent but also critical for regional peace and stability. The panel examined the role of the US, its 'rebalance towards Asia' policy, and how the South China Sea has become an area of fundamental interest.

*Discussant:* Professor the Hon. Bob Carr, Director, Australia-China Relations Institute, University of Technology Sydney

*Presenters:*

- Professor Evelyn Goh, Shedden Professor of Strategic Policy Studies, College of Asia and the Pacific, Australian National University
- Dr Mira Rapp-Hooper, Senior Fellow, Asia-Pacific Security Programme, Center for a New American Security
- Dr Liu Qing, Director, Department of Asia-Pacific Studies, China Institute of International Studies

### **Defining the United States in the South China Sea**

Dr Mira Rapp-Hooper:

Dr Mira Rapp-Hooper discussed the factors behind the South China Sea's growing importance from the US perspective. At the start of the Obama administration in 2009, the South China Sea was not a major focus for policymakers. However, with its decision to pivot towards the Asia Pacific region, the US has begun to invest more in this waterway. China's assertiveness in its maritime periphery has also led to increased interest in this area.

Despite its increased interest in the South China Sea, the US has in fact defined very few of its national interests in the area. In 1995 the US issued its first public statement on the South China Sea, listing five interests: peaceful resolution of disputes; peace and stability; freedom of navigation; neutrality on sovereignty questions; and respect for international law, especially United Nations Convention on the Law of the Sea (UNCLOS). This position remained unchanged until 2010, when in response to flaring tensions between China and other claimants, then-Secretary of State Hillary Clinton added that a Code of Conduct (CoC) was needed and that disputes should be resolved through diplomatic means. This list of interests was not conducive to

detering claimants' coercive or unilateral actions.

In 2015, in the context of China's stepped up island building, freedom of navigation operations (FONOPs) were the primary means by which the Obama administration asserted US interest in maintaining and supporting freedom of navigation and international law. However, these operations were sporadic and the administration had not formulated a clear overall strategy for responding to the challenges presented by China's reclamation efforts.

While it remains difficult to predict President Trump's approach to the South China Sea, his administration considers US interests in Asia to be predominantly economic, and his approach is therefore likely to be transactional in nature. Trump is unlikely to emphasise the regional order in his calculus or define US interests in terms of international law.

### **The Maritime Environment in the Western Pacific**

Dr Liu Qing:

Dr Liu Qing examined the strategic geopolitical landscape of the Asia Pacific region. Dr Liu classified maritime border disputes into three categories: awakening disputes, which are resurgent historical disputes that attract significant attention (such as the one between Japan and China over the Diaoyu/Senkaku islands); half-sleeping disputes, which are not usually noted by the media but occasionally activated (such as the dispute between Japan, China and South Korea over Douglas Reef); and sleeping disputes, which are not active but have the potential to be awakened in future (such as the US-Russia border dispute in the Bering Sea).

As all littoral states prioritise economic growth, the demand for natural resources has increased. Non-traditional maritime security threats such as piracy and terrorism are on the rise, and there is a lack of region-wide cooperation mechanisms to properly address these threats.

From China's perspective, its historical maritime weakness resulted in invasions by western powers and Japan. Since the 1990s, China has sought to close the gap and modernise its military defences, as its dependency on the oceans for international trade has grown. However, on the one hand, the US views China's maritime strategies as a threat to absolute freedom of navigation; while on the other, China promotes 'restricted access' of commercial ships in the South China Sea and considers military operations harmful to regional stability.

### **Great Power Conflict Management in the South China Sea: A Social-Systemic Approach**

Professor Evelyn Goh:

Professor Evelyn Goh provided a conceptual overview of the relationship between the shifting strategic balance between the US and China, and regional conflict management efforts since the end of the Cold War.

Professor Goh argued that threat perceptions, and confrontational behaviour and rhetoric have renewed the call for US leadership in managing conflicts in East Asia, including the South China

Sea. To date, China has demonstrated unwillingness to commit to serious conflict resolution in the South China Sea. Furthermore, there is not widespread political appetite for actually resolving disputes, thereby reinforcing the importance of the US role as guarantor of the status quo.

Professor Goh listed three modes of conflict management: international legal frameworks (especially UNCLOS); ASEAN-led regional conflict avoidance frameworks; and unilateral assertions of authority. International legal frameworks, including the 2016 Permanent Court of Arbitration ruling in the Philippines' favour, set the parameters for acceptable behaviour. However, territorial disputes themselves remain outside these frameworks. Regional conflict mitigation frameworks have been largely ineffective and seek to maintain the status quo until sovereignty disputes can be resolved. Unilateral assertions include occupation, administration and enforcement of disputed areas. US assertion of authority as a security guarantor also falls into this category. Each of these three methods requires further development to improve the situation in the South China Sea.

### ***Panel One Recommendations***

- The US should undertake a serious policy review on its position on the South China Sea in order to define its interests and craft a strategy for responding to tensions and militarisation of the region.
- All parties should clearly define their claims and interests in the South China Sea. This is a prerequisite for constructive dialogue on resolving the territorial disputes. For example, China has not clarified its definition of the 'nine-dash line'.
- The US alliance system should be updated to meet contemporary challenges and conditions. Allies should consider 'networking' among themselves without concluding new formal alliances, in order to coordinate efforts and responses to the South China Sea and apply pressure to the Trump administration when necessary.
- Current international legal frameworks are limited. Several presenters noted the limitations of current international legal frameworks, particularly UNCLOS in resolving territorial disputes in the South China Sea. Ad-hoc tribunals under UNCLOS and a lack of clarity resulting in divergent interpretations of the law, combined with the geographical complexity of the South China Sea make UNCLOS difficult to enforce. Legal frameworks should be strengthened if they are to be the basis of dispute resolution.
- Alternative or complementary cooperative regional mechanisms should be developed. ASEAN is a large entity comprising 10 countries and approximately 620 million people. The organisation's lack of unity on the South China Sea issue in the face of its consensus-driven architecture has thus far prevented long-needed structural revision in order to make it more effective at resolving regional disputes. Some panellists proposed a framework specifically focused on resolving issues in the South China Sea in order to move negotiations forward.
- Cooperation on non-traditional security aspects should be explored. User states should increase their focus on environmental degradation, fisheries and terrorism, and their harmful effects on the South China Sea. As these issues directly affect the livelihoods of all populations living around the South China Sea, addressing them requires the collaboration of all claimants.

## **Panel Two: Stakes and Policies of the User States (The US, China, and Japan)**

This panel analysed the South China Sea through the perspectives of the major powers: the US, China, and Japan. Specifically, it examined how China, and the US and its allies view the dispute, their stakes in the dispute, and how the discord is part of each state's fundamental interests.

*Discussant:* Dr Liu Yawei, Director, China Program, The Carter Center

*Presenters:*

- Mr Gregory B. Poling, Director, Asia Maritime Transparency Initiative, Center for Strategic and International Studies, Washington D.C.
- Dr Lu Yin, Associate Researcher, National Defense University, China
- Dr Kei Koga, Assistant Professor, Public Policy and Global Affairs Programme, School of Humanities and Social Sciences, Nanyang Technological University

### **US Interests and the Next Phase of South China Sea Tensions**

Mr Gregory Poling:

Mr Gregory Poling noted the three major national interests of the US in the South China Sea: preservation of the rules-based order; freedom of navigation; and a peaceful and stable Asia Pacific. These interconnected interests were consistently voiced by the Obama administration, but it remains uncertain whether they will continue under Trump's administration.

President Trump's contradictory statements, transactional approach to alliance commitments and apathy towards the rules-based order will be a cause of concern for US allies and partners in Asia. It is unclear how much influence members of Trump's cabinet will have over US foreign policy.

The July 2016 Permanent Court of Arbitration ruling, led to hopes it would signify a step towards resolving the dispute between China and the Philippines. China generally sought to lower diplomatic tensions with ASEAN following its defeat in the ruling; Foreign Minister Wang Yi declared that China would seek to finalise a 'framework' for a CoC on the South China Sea with ASEAN by mid-2017. Diplomatic relations between China and the Philippines appear to have improved. However, while Philippine President Rodrigo Duterte claimed to have reached a friendly agreement on Filipino fishermen's access to waters around the Scarborough Shoal, in fact the status quo has simply continued, with China's Coast Guard patrolling the area and allowing the fishermen access to the area outside the shoal with China's permission.

Most claimant states are preparing for heightened tension in the South China Sea, while keeping the door open for China's de-escalation.

### **The South China Sea Disputes: China's Perspective**

Dr Lu Yin:

Dr Lu Yin put forth China's perspective on the South China Sea disputes, stating that, for China, the South China Sea issue incorporates both historical viewpoints and realistic interests. For over 2000 years the area was under Chinese jurisdiction, until the Japanese invasion of China during the Second World War. After Japan's defeat, the Chinese government re-occupied some of these islands, and published its 'nine-dash line' map in 1948. Dr Lu said objections were only raised to China's ownership of this area in the 1960s with the discovery of energy reserves.

Much progress has been made in spite of disputes and tensions in the South China Sea, especially via ASEAN, with the agreement on the Declaration of Conduct and consultation on a Code of Conduct. However, disputes remain between China and other states, not ASEAN as a whole, and should therefore be addressed through bilateral negotiation.

The international media and several think tanks have portrayed China's behaviour in a negative light while ignoring actions of other claimants. Between July 11 and 17, in the period following the arbitral ruling in favour of the Philippines, 60 publications critical of China were released by 19 think tanks around the world, 15 of which were from the US or its Asia Pacific allies. These scholars were not legal experts and therefore not necessarily qualified to analyse the ruling, but nevertheless influenced public opinion on the matter.

The US is an external party and its presence escalates rather than decreases tension in the South China Sea. By exerting pressure on China, the US has violated its neutrality policy, and has greatly increased China's distrust of the US.

### **Beyond the Horizon? Japan's Strategic Interests in the South China Sea**

Dr Kei Koga:

Dr Kei Koga examined Japan's evolving strategic interests in the South China Sea. Historically, the Taiwan Strait and Korean Peninsula were considered to be the regions of greatest strategic importance in East Asia. However, since the 2010s, the great power rivalry between the US and China began to play out in the South China Sea.

The US will likely continue to maintain its military, economic, and technological supremacy over China for the foreseeable future. However, the question remains over whether the US is willing to allocate resources and to what degree to East Asia and the South China Sea issue. This question leads regional states, including US allies such as Japan, to reassess whether their current strategic approaches to the South China Sea and whether they are sufficient to safeguard their national interests.

Japan has three major interests in the South China Sea: securing Sea Lines of Communication (SLOCs); maintaining the international rules-based order; and upholding the US alliance system. 87 per cent of Japan's imported oil and 59 per cent of its natural gas from the Middle East and Southeast Asia are transported through the sea. Thus, Japan has an interest in securing SLOCs in the South China Sea.

Japan desires to consolidate the international rules-based order and the principle of freedom of navigation. These interests go beyond its territorial waters and Exclusive Economic Zone (EEZ), and Japan is therefore concerned about recently heightened tensions between claimant states in the South China Sea.

As a US ally, Japan also has an interest in upholding the alliance system and working with the US to find a peaceful solution to the dispute. China's actions have changed the status quo in the region, which deeply troubles Japan. In this context, Japan has attempted to coordinate its policy with the US, strengthen its bilateral security ties with Southeast Asian claimant states, and engage with ASEAN-led multilateral frameworks and other international frameworks.

Nevertheless, the South China Sea is not necessarily a strategic priority for Japan. Its other interests limit its capacity to deepen its involvement.

### ***Panel Two Recommendations***

- Dialogue and negotiation should be the preferred means of dispute resolution. Until disputes are successfully resolved, crisis management provisions should be implemented. All parties should practice restraint and avoid unintended incidents.
- China should reflect on its South China Sea policy. Leaders need to understand neighbours' concerns in the context of China's unprecedented economic growth and strengthen dialogue with claimants.
- Japan should maintain its current strategy toward the South China Sea by advocating the importance of the rules-based order in bilateral and multilateral settings, strengthening security ties with Southeast Asian states, and facilitating ASEAN's efforts to conclude the CoC.

### **Panel Three: Stakes and Policies of the User States (India, Russia, and ASEAN)**

The panel examined the range of perspectives from the other major user states, including India, Russia, and ASEAN. As both India and Russia continue to bolster their engagement with East and Southeast Asia, understanding the views and policies of the two states towards the dispute and region is critical, especially as the discord continues to entangle more actors. As ASEAN remains the fulcrum of regional security and economic architecture in the region with its members divided on how to manage the dispute, the panel examined the role and stakes the organisation and its members have in the South China Sea.

*Discussant:* Mr Blake Berger, Research Associate, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

*Presenters:*

- Professor Tan See Seng, Professor of International Relations and Deputy Director and Head of Research, Institute of Defence and Strategic Studies, S. Rajaratnam School of International Studies, Nanyang Technological University

- Dr Alexander Korolev, Research Fellow, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore
- Mr Blake Berger on behalf of Professor Kanti Prasad Bajpai, Wilmar Professor on Asian Studies, Lee Kuan Yew School of Public Policy, National University of Singapore

### **When Giants Vie: Whither ASEAN Multilateralism in an Age of Big Power Rivalry?**

Professor Tan See Seng:

Professor Tan See Seng explored ASEAN's role in resolving disputes in the South China Sea in the context of growing rivalry between China and the US. Due to diverging position within ASEAN, both the ASEAN Regional Forum (ARF) and ASEAN Defence Ministers Meeting Plus (ADMM Plus) have increasingly come under strain over dealing with sovereignty issues. Conflicting security perspectives and political tensions have limited the effectiveness of a multilateral approach to managing member differences and in promoting common interests. Instead, ASEAN has become a battleground for great power rivalry and China has taken advantage of its internal divisions to negotiate separately with individual claimants.

While ASEAN has often been portrayed as being in the 'driver's seat' of regional architecture and non-ASEAN stakeholders have been painted as followers of this order, non-ASEAN stakeholders in fact also play a significant role in shaping the regional architecture. Therefore it should no longer be up to ASEAN alone to support East Asian order and regional architecture, but rests upon all stakeholders. In short, the 'ASEAN way' should be rephrased as 'everyone's way' and there should be more buy-in and accountability from non-ASEAN stakeholders.

### **India's South China Sea Policy: Acting East but Acting Prudently**

Professor Kanti Prasad Bajpai:

On Professor Kanti Prasad Bajpai's behalf, Mr Blake Berger discussed India's approach to the South China Sea in the context of Sino-Indian relations.

Since Narendra Modi became India's Prime Minister in May 2014, India has become more vocal about the South China Sea and more outspoken against China's provocative actions. New Delhi's various statements on the South China Sea have emphasised the sanctity of UNCLOS and international law, and supported regional conflict resolution based on the ASEAN-China Declaration of Conduct (DOC).

From trade and security perspectives, India has an interest in preventing conflict in the South China Sea. According to the Indian government, over 55 per cent of India's trade passes through the contested waterways. India is concerned about China's growing influence in Asia, and its approach to the South China Sea is to a certain extent aimed at containing this influence. If war were to break out in the South China Sea, it would have serious implications for South Asia. To this end, India has been strengthening its relations with the US, Japan, Australia, and Vietnam. While containing China is important to India, New Delhi is cautious not to provoke Beijing.

While vocal in its support for freedom of the high seas, its stand on freedom of navigation in EEZs is the same as that of China and other Asian states, and it has stayed away from joining US-led patrols in the South China Sea.

### **Systemic Balancing and Regional Hedging: The Two-Level Nature of Russia's Policies in the South China Sea Dispute**

Dr Alexander Korolev:

Dr Alexander Korolev examined Russia's policy and the influence of the Russia-China-Vietnam strategic triangle in its South China Sea strategy through the lens of a balancing and hedging model.

In 2010, Russian President Vladimir Putin announced the country's 'reorientation to Asia'. China and Vietnam are Russia's closest partners in Asia, yet are rivals in the South China Sea. While Russia regularly issues official statements demonstrating its neutrality, and calling for restraint and prevention of the use of military force, it simultaneously negotiates arms and energy deals with both countries. Following the July 2016 ruling in favour of the Philippines, however, Russian officials stated their position in support of China's decision not to recognise the result. This stance should be viewed within the context of Russia's own actions and pre-empts a possible Hague tribunal over the state's actions in Crimea.

Russia's policies form a two-level pattern: balancing, which is motivated by great power politics and polarity within the international system, and materialises in resisting American global hegemony. Second, hedging which is motivated by domestic and regional consideration and appears in policies aimed at preventing regional instability involving Russia's core economic and strategic partners.

Once the problem of the South China Sea disputes shifts from sovereignty over the features to the geopolitical rivalry between the US and China, Russia plays the systemic balancing game, but when it remains within the regional scope, Russia employs the regional hedging game.

The fact that Russia is involved in anti-hegemonic balancing in the South China Sea dispute, rather than simply supporting China, is demonstrated by the fact that Moscow not only actively resists the 'internationalisation' of the South China Sea dispute, trying to dissuade the US from interfering and militarising the dispute, but also does not support anyone's, including China's, territorial claims.

#### ***Panel Three Recommendations***

- ASEAN and China's 'shelving disputes' approach is not enough to resolve issues in the South China Sea. ASEAN needs an agreed, clearly articulated position on the South China Sea. For example, there have been no official statements in support of freedom of navigation.
- ASEAN should develop a strategy for buy-in from non-member stakeholders.
- Systemic balancing and regional hedging models could be applied to other user states in the South China Sea to gain a better understanding of their interests in the disputes.

## **Panel Four: The South China Sea: Lynchpin of the Shift of Strategic Balance**

This panel addressed the critical importance of the South China Sea in international politics, and how the dispute has become an arena for the world's major powers to engage one another. Specifically, the panel examined US-China relations and its impact on other regional actors and organisations, what the shifting strategic balance means for the region, and how the discord is shaping the relationship between the differing international and regional states.

*Discussant:* Dr Liu Yawei, Director, China Program, The Carter Center

*Presenters:*

- Professor Carlyle A. Thayer, Emeritus Professor of Politics, School of Humanities and Social Sciences, University of New South Wales Canberra at the Australian Defence Force Academy
- Ms Darshana Baruah, Research Analyst, Carnegie India
- Dr Alexey D. Muraviev, Head, Department of Social Sciences and Security Studies, Curtin University

### **The South China Sea: Lynchpin of the Shifting Strategic Balance**

Professor Carlyle A. Thayer:

Professor Carlyle Thayer examined China-US relations in the context of the South China Sea and its impact on the Southeast Asia and ASEAN, what the shifting strategic balance means for the region, and the ways in which the dispute is shaping the relationship between international and regional states.

Both China and the US have spent the last few years accusing each other of militarising the disputed waterways. Professor Thayer contends the litmus test for acts of militarisation is 2002 when China and ASEAN agreed to exercise self-restraint in regional security activity. Over the past several years, China has constructed reinforced airfields and installed armaments on its occupied features, and enhanced military exercises and combat air patrols in response to political events. The US under President Obama and the administration's strategic rebalance towards Asia policy, conducted FONOPS and aerial surveillance, and began to maintain bolstered presence at sea. In response to US actions, China began to shadow US warships, staging confrontations, and continuing the construction and militarisation of its occupied features.

Due to a lack of cohesive policy under the Trump administration in relation to China and the South China Sea, this has further contributed to tumultuous US-China relations and further fostered strategic uncertainty in the region and waters. The strategic rivalry, competition, and stand-offs between the two powers have only further complicated the ASEAN-led effort in seeking to preserve regional autonomy and stability. While ASEAN has refrained from taking sides, the organisation has limited means and mechanisms to curb further militarisation by either side in

the South China Sea. However, there is an argument for the potential of a stronger ASEAN on the horizon with the Philippines returning to the fold prompted by the Arbitral Tribunal decision in July 2016. Going forward, it is possible that ASEAN may have a more unified position of dealing with the South China Sea dispute.

### **India, South China Sea, and the Shifting Regional Balance**

Ms Darshana Baruah:

Ms Darshana Baruah presented a paper co-authored with C. Raja Mohan, Director at Carnegie India, New Delhi.

While independent India has tended towards the margins of East Asian geopolitics, India's relevance to strategic discourse in the region, especially in the South China Sea, has increased in recent years. This is due to several factors including China's growing assertiveness; India's closer relationships with the US and Japan as these countries' relationships with China become increasingly more fraught; and under the Prime Minister Narendra Modi, an India with a more purposeful government desirous of a bigger role in the region and willing to take more strategic risks. The Modi Government has since changed the way India engages with other powers internationally and in the region.

Trade has been the formal justification for India's increasing engagement in the South China Sea. While trade is indeed a dominating factor, with nearly 55 per cent of India's trade transiting through the disputed waters, Ms Baruah and Dr Mohan argue that regional balance of power is the driving force in shaping Indian interests in the South China Sea. India's own interests are growing and it wants to play a larger role in the region.

Under Prime Minister Modi, India has been more vocal about China's assertiveness in the South China Sea and has lent bolder diplomatic support to littoral states, for example, referring to the South China Sea as the West Philippine Sea in a joint statement with the Philippines in 2015, and announcing a \$500 million package of defence assistance to Vietnam in September 2016.

However, a more expansive Indian role in the South China Sea is limited by structural constraints, none more so than the tyranny of geography. For the Indian Navy, the South China Sea is a secondary theatre of interest to the Indian Ocean. Added to the problem of distance is the political reality that India cannot pull ahead of the US and the littoral states in the South China Sea. However, India still stands to make long-term gains from its increased activism in the South China Sea, including, for example, raising India's diplomatic profile in the region, and prompting India to recognise the value of strategic burden-sharing with friends and partners.

### **In the Shoes of a Sapper: South China Sea Dispute and Russia's Military-Strategic Considerations**

Dr Alexey D. Muraviev:

It was only recently that Moscow shed some light clarifying its position on the South China Sea. However, its approach, strategy, and rationale remain, at least to the outside world, rather murky. While the collapse of the Soviet Union significantly reduced its influence and military presence in Southeast Asia, Russia has continued to sustain a focus on the South China Sea, attempting to maintain a presence – even if largely symbolic – in the area. Over the last few years, Dr Muraviev noted there has been a significant intensification of Russian naval activities in Southeast Asian waters and an increase in aerial operations over the Pacific, including the South China Sea.

Russia's strategic rapprochement with China has seen the two countries engage in joint exercises that have departed from the standard non-allied foreign naval forces exercise routine. Russia has also expressed formal support for China over the South China Sea issue and is publicly sympathetic to China's claims. This may be attributable to a desire to support precedent set by China in dismissing the Arbitral Tribunal's ruling on the Philippines' submission on the South China Sea, and in doing so, pressure China to advance a position favourable to Russia on the status of Crimea and its actions in the Ukraine.

While Russia and China have edged closer to one another, Russia continues to favour maintaining a delicate balance by simultaneously engaging other important players in the region, including working to formalise its deeper relationship with ASEAN and developing strategic ties with China's regional rivals. It remains to be seen whether this gamble will bring geopolitical and geostrategic dividends for Russia or whether it will result in a major strategic fall.

#### ***Panel Four Recommendations***

- Following the July 2016 Arbitral Tribunal ruling, there is an argument to suggest ASEAN's position strengthened with the Philippines 'returning to the fold'. ASEAN should use this to develop a unified approach to the South China Sea in the context of the 'new consensus' endorsed by ASEAN foreign ministers in September 2016.
- Friends and partners in the region should develop mechanisms for dealing with strategic and military burden sharing on the South China Sea issue. Strategic coordination between countries including India, the US, Japan, and Australia could assist in countering China's actions in the South China Sea.
- The Modi government's trilateral consultative framework could facilitate the emergence of middle power coalitions in Asia.
- The demonstration of power politics in the South China Sea necessitates India's reconsideration of its role in the future of the balance of power in Asia.
- Joint activities between China and Russia in the security and defence sphere, including the ones in the South China Sea, should not be viewed through the lens of a zero-sum game. Moscow is trying to play a more diverse regional game, engaging other important players in addition to China.

## **Panel Five: US-China Relations and Their Impact**

The US-China relationship is one of the most important bilateral relationships in the world. Panel five examined the relationship through the lens of major regional actors, including ASEAN, Australia, and Japan.

*Discussant:* Dr Liu Yawei, Director, China Program, The Carter Center

*Presenters:*

- Professor John Blaxland, Professor in International Security and Intelligence Studies, Strategic and Defence Studies Centre, ANU College of Asia and the Pacific, Australian National University
- Professor Huang Jing, Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore
- Dr Bonji Ohara, Director, Policy Research, The Tokyo Foundation

### **Walking a Tight Rope: Examining the US-China Relationship Through the Lens of Australia**

Professor John Blaxland:

Professor John Blaxland began the panel with an overview of Australia's defence ties with the US and its economic relationships in Asia, and explored how this dynamic affects Australia's strategic thinking regarding the South China Sea.

For Australia traversing the delicate balance of the US-China relationship is getting more precarious and difficult. Since the fall of Singapore in 1942, Australia has looked to the US for its security and defence. However, since the country's 1957 trade agreement with Japan, Australia has increasingly focused on Asia for its economic prosperity. China has now overtaken Japan as Australia's largest economic partner, and Australia annually welcomes 136,000 students and 1 million visitors from China. Nevertheless, from Australia's perspective there are limits to the possible enhanced cooperation between Australia and China due to the differences in culture and governance. Furthermore, in the context of Australia's security rotations with the US, there remains the concern that China's actions in the dispute waters make take a bellicose turn.

Navigating the relationship with China and determining what course of action to take with respect to the South China Sea is made all the more complicated by the fact that Australia is arguably no longer able to rely on the US as a stalwart ally. Professor Blaxland observed that the Trump phenomenon has had significant effects on the US alliance system, rendering American commitment to its allies uncertain and prompting American allies to reassess their strategic thinking. President Trump's disconcerting 'only America first' doctrine undermines Australia's confidence in, and goodwill towards, the US, and Australian politicians on both sides of the political divide have begun to ask important questions about the direction of US-Australia relations.

Professor Blaxland noted that states of flux and uncertainty, such as that we are experiencing today, are when new ideas and new institutions are formed. He suggested Australia may look to strengthening ties with other countries, but this would then give rise to considerations about what obligations new partnerships may impose on Australia, and what other potential clashes they may draw Australia into. Professor Blaxland made the case that regional multilateral partnerships and fora such as Mexico, Indonesia, the Republic of Korea, Turkey, and Australia (MIKTA), and Malaysia, Australia, New Zealand, Indonesia, and Singapore (MANIS) are becoming more relevant in the context of the unpredictable Trump administration. ASEAN in aggregate is Australia's second largest trading partner. However, China's focus on bilateral negotiations on the South China Sea disputes marginalises ASEAN as a multilateral organisation.

### **The South China Sea and New Developments in the US – China Relationship**

Professor Huang Jing:

Professor Huang Jing argued that the US-China relationship transcends bilateral relations alone due to the US alliance system. Therefore, any diplomatic or military conflict would have global implications. Professor Huang emphasised the importance of maintaining close communication in order to prevent this from happening. Global peace, prosperity, and stability are in the common interest of both superpowers.

However, the US and China have different understandings of the rules, principles and agenda setting that are necessary to maintain the peace and promote prosperity. As China continues to rise, competition between the two states is growing fiercer.

Professor Huang depicted the South China Sea disputes as comprising two levels. The first level is the competition between the US and China. For China, the stakes include national security, global and regional influence, and China's sustainable development. For the US, its credibility and preservation of the existing regional security architecture are on the line.

The second level is the game between China and South China Sea claimant states. Professor Huang reiterated the significance of national identity in territorial disputes; claimant states consider their national identity and history to be at stake.

For China, the dilemma is how to manage a highly internationalised issue within the framework of bilateral relations, as it wishes to keep these two levels separate from each other. Professor Huang predicted that China would maintain strategic ambiguity on the nine-dash line, while continuing to pursue a multilateral approach for two purposes: the promotion of economic development, and managing tensions. China will insist on a bilateral approach to find solutions to disputes in the South China Sea. China is constantly stepping on the US's 'red line' in order to test its boundaries, and the US does not have many options against China's incremental approach to land reclamation.

### **US-China Relations and the South China Sea: Japan's Perspective**

Professor Bonji Ohara

Focusing on Japan, Professor Bonji Ohara argued that although the US and its allies frequently criticise China's actions in the South China Sea, however, without an understanding of the reasons behind these actions they aren't able to respond effectively.

In response to the changing security environment in the Asia Pacific, Japan introduced the Legislation for Peace and Security in 2015. The legislation stated that fundamental transformations were occurring in Japan's security environment, that no country can secure its peace by itself, and that the international community expects Japan to play a more proactive role in promoting global peace and stability. Although not mentioning China by name, many assume the reference to fundamental transformations alludes to China's increasing influence.

Given Japan's geographical proximity to China, it feels threatened by China's aggressive behaviour in the East and South China Seas. Clashes between fishing boats and patrol boats, including Chinese government vessels over the last few years have directly contributed to this. As China does not believe current international norms are fully representative of developing countries, China does not believe it necessary to play the game under the present rules. In fact, China has already declared that it intends to change these rules.

While Chinese leaders understand that support is required to challenge the existing international order, which is led by the US, China and other developing nations are not yet powerful enough to change the systems structure. Even though China claims that 70 countries support its position, it remains to be seen whether or not these supporters and China have the collective power to enact this change. Due to the limits of its power, China has continued to conduct joint naval exercises in the South China Sea with Russia. These actions have symbolic importance as it the disputed waters represent the most likely arena for US-China confrontation due to the latter's reclamation and militarisation activities.

China tries to deter and exclude US military operations in the South China Sea as it does not want them to interfere with China's development. China understands that within the current international system it needs to develop a strong military. Its economic power influences political decision-making across the world, and China's 2015 Defence White Paper states that economic activities need protection by military forces. This is one reason why China expresses dissatisfaction with US freedom of navigation operations because it's seen as a threat to China's economic interests in the region. While this strategy may be defensive against the US, regional actors perceive China's military build-up as offensive in nature against them.

### ***Panel Five Recommendations***

- From Australia's geographical perspective, Southeast Asia is central to the Indo-Pacific region, and should therefore be given greater attention by policymakers and the general public.
- Australia needs to understand that China's incremental reclamation of the South China Sea is irreversible and no one wants to go to war over reclamation activities. Australia must continue to engage with China constructively, respectfully, and with an open mind with a view to more fully understand China's intentions and to encourage a mutually beneficial

accommodation.

- The US should optimise its alliance system to maintain and improve relations with Asian nations, particularly ASEAN, in order to apply pressure to China.
- President Trump's unilateralism is dangerous. In the past, most deals made by the US have been via multilateral arrangements, and a change to this bilateral emphasis is disruptive. China is the second most powerful state next to the US, and it is therefore in the US's interests to negotiate with China and try to conclude a type of 'grand deal'.
- As far as the CoC is concerned, the 'don'ts' should be established before the 'dos'. Once parties reach agreement on the dos and don'ts of conduct in the South China Sea, these principles should be institutionalised. There should not be a military alliance targeting any third party in order to avoid perception of 'ganging up' on individual claimant states, as this would only exacerbate tensions.
- Claimants should make decisions for themselves without pressure from third parties. However, if their behaviour violates international law their actions should be condemned.
- A regional economic network consisting of Asia-Pacific states should be developed with the purpose of acting as a deterrent against US-China conflict. If the costs of conflict are high, it is less likely that confrontation will occur. This framework should be both economic and strategic in nature, and as a collective influential economic actor they can help alter the security dynamics in the region. However, ASEAN should not be the basis of this framework, as the ASEAN economic initiatives have proved ineffective in the past in mitigating external security threats. Instead, a multilateral framework comprised of 'networked bilateral economic relationships' should be explored.

## **Panel Six: Towards Effective Management and an Eventual solution**

Following the July 2016 Permanent Court of Arbitration, uncertainty over the impact of the decision and how to manage the dispute and reduce tensions were key issues addressed during this panel. The panel analysed a range possible mechanisms to ameliorate tensions, differing forms of effective management, and potential solutions for the dispute.

*Discussant:* Professor Huang Jing, Lee Foundation Professor on US-China Relations; Director, Centre on Asia and Globalisation, Lee Kuan Yew School of Public Policy, National University of Singapore

*Presenters:*

- Dr Hong Nong, Executive Director and Senior Fellow, Institute for China-America Studies
- Dr Sam Bateman, Professorial Research Fellow, Australian National Centre for Ocean Resources and Security (ANCORS), University of Wollongong

## **Exploring Maritime Dispute Management in the South China Sea: A Practical Approach**

Dr Hong Nong:

Dr Hong argued there is no single solution to the diverse and complex issues and disputes in the South China Sea. The South China Sea dispute is a mix of territorial competition and pending maritime delineation, and encompasses issues including maritime environmental protection,

resource management, SLOCs, and search and rescue. These factors contribute to its complexity.

Between 2002 and 2009 disputes were relatively quiet. During this period the Declaration of Conduct of Parties in the South China Sea was signed. However, after 2009 several claimant states passed national legislation and campaigned for support of their positions. These and other developments have resulted in escalating tensions.

While many regional states including the US have praised the Philippines for utilising UNCLOS's third party settlement mechanism by bringing its case before the Permanent Court of Arbitration in 2013, China did not accept the July 2016 ruling in the Philippines' favour. The compulsory settlement mechanism is limited in scope, and does not issue decisions on question of sovereignty over land territory or delimit any boundary between parties. While this case represents the first attempt by a claimant state to resolve a dispute via the third party settlement mechanism, the arbitration in fact did not resolve the dispute between the two countries and is unlikely to be an effective means of resolving other disputes in the South China Sea in isolation.

### **Building Trust and Cooperation in the South China Sea**

Dr Sam Bateman:

Dr Sam Bateman discussed the 'chicken and egg' problem of building trust and cooperation in the South China Sea. Maritime cooperation is an obligation of countries bordering the South China Sea under UNCLOS Part IX, and is essential to prevent current tensions from escalating further. However, the fundamental question remains: what comes first, trust or cooperation? In fact, it may be possible to pursue both simultaneously; cooperation builds trust and trust encourages further cooperation.

The existing international framework is ill equipped to support successful resolution of South China Sea disputes. The ambiguity of UNCLOS, the fact that the US is not a signatory, as well as the geographical complexity of the region makes agreement all the more difficult. Furthermore, UNCLOS can only be applied after sovereignty disputes have been resolved, thereby limiting its effectiveness as a resolution mechanism.

Claimant states, particularly China, the Philippines, and Vietnam, have been engaged in a 'war of words' over competing historical claims. This exacerbates distrust and hinders cooperation. Major differences between the US and China's understandings of the law of the sea have also led to a feeling of confrontation on both sides.

#### ***Panel Six Recommendations***

- The focus should be shifted away from sovereignty towards 'win-win' outcomes. Without operational trust and cooperation, border disputes will increase, fisheries will be depleted, marine habitats destroyed, and littoral countries won't have the scientific knowledge and capabilities required to manage and develop their maritime interests.
- Civil maritime cooperation should be de-securitised. Preservation of the marine environment is an obligation of littoral countries under Part IX of UNCLOS. This would also help to

- improve non-military capacity building.
- Demilitarisation of the South China Sea should be the ultimate goal. China should clarify its claims in the South China Sea and refrain from activities that others perceive as assertive or aggressive. The US should not undertake provocative FONOPs.
  - A South China Sea Cooperation Council (SCSCC) and/or South China Sea Coast Guard Forum (SCSGF) should be established. A SCSGF could be the precursor to a SCSCC.
  - A tiered approach to resolving disputes could be adopted. The first tier would involve the promotion of environmental security as an area of cooperation between claimant states, as their mutual dependency on natural sea resources require international cooperation in this area. The second tier would be cooperation in the field of fisheries management. Most fishery resources in the South China Sea are either shared stocks that migrate across different Exclusive Economic Zones (EEZs) or highly migratory species, and are exhaustible resources. Cooperation in this area could potentially encourage further collaboration in other areas. The third tier would be utilisation of UNCLOS as a framework for ocean governance in the South China Sea. As the principal legal instrument providing the framework for public order of the oceans and the seas, UNCLOS could provide a system to address substantive issues as they arise. Finally, parties should re-examine their thinking about the South China Sea, and shift the focus away from resolving territorial disputes towards empathy of other claimants and cooperation in general.



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