

China and the South

China Sea Disputes

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Abstract

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The overall purpose of this paper is to provide an analysis of Chinese behaviour concerning the South China Sea (SCS) disputes, with the aim of understanding Chinese behaviour and rising assertiveness in the SCS.

Bilateral territorial disputes used to be the most serious threat to the security order in Asia. Today most territorial disputes are latent rather than active sources of conflict in the region for several reasons. The change of states' desire to create a peaceful and stable environment for domestic modernization accelerated the pace of conflict management and resolution concerning territorial disputes. And the intrinsic and relative value of the traditional border has been minimized, because of a revolutionary development of transport, communication, and military technology. This paper sets out to shed light on *"why the Chinese maritime border disputes in the SCS have not been solved contrary to its land border disputes; and what China achieves and wishes to achieve from its territorial claims seen from a security interest."*

China regards the SCS as lost territories that once again should be part of China like other lost territories such as Taiwan and the Diaoyu/Senkaku Islands in the East China Sea. However, with China's more prominent power position in the region, it has recognized the complicated nature of its power. I argue in this paper that there are signs of Chinese assertiveness, but there are no sign that China is taking the risk of sacrificing its domestic economic growth by taking a coercive approach concerning the SCS disputes.

I, furthermore, argue that China's SCS policy since the aftermath of the seizure of Mischief Reef by and large reveals how activism has been balanced with watchfulness to improve the regional environment through a steady and patient diplomacy rather than confrontation. It is a soft power policy, supplemented with a continuing hard power drive, building on a stable strengthening and modernizing of the PLA Navy and incrementally increasing maritime control. Given the changes in the SCS disputes since the late 1990s, the two trends - growing Chinese assertiveness and the amount of interdependence that is seen in the region - are likely to bring about new dynamics in the SCS disputes.

Over the years disagreements among the various claimant states have never stopped, even though it has been downplayed between 2002 and 2009. Any action by one party, whether it is symbolic acts to show a powerful authority or to exploit the islands or waters for economic purposes, has at all times resulted in a strong diplomatic response from other parties. The repeated frictions, however, cannot obscure the fact that the various claimant states have managed the disputes fairly well since 1995. No major military conflict has taken place; and there

have furthermore been some positive developments in the area concerning joint development projects, and the level of interdependence has increased dramatically.

The SCS dispute is an awfully complex issue, because of the various claims to the same islands and waters. Therefore, in the light of an absent code of conduct concerning the SCS the Declaration on the Conduct of Parties from 2002 might well be the best option for the various claimant states, as it reveals the willingness to uphold the status quo.

As a consequence of China's efforts in handling disputes over maritime boundaries with other claimant states, while supporting its interests in the region, have shown some Chinese flexibility by suggesting stopping the disputes and working for joint development as China has done with Vietnam and the Philippines. Attaching increased weight on good neighbourhood relations and at the same time maintaining its claims in the SCS, China applies an approach to power and influence as foreign policy means, which is intended both at tackling other states' anxieties about the impact of a more powerful China and reinforcing China's long term position in the SCS.

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Abbreviations

EAS	East Asian Summit
ACFTA	ASEAN–China Free Trade Area
AFTA	ASEAN Free Trade Area
APEC	The Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASEAN	The Association of Southeast Asian Nations
ASEAN+3	+ China, Japan and South Korea
CCP	Chinese Communist Party
CNOOC	China National Offshore Oil Corporation
CMS	China Marine Surveillance
CSCAP	Council for Security Cooperation in the Asia Pacific
DAC	Declaration of ASEAN Concord
DOC	Declaration on the Conduct of Parties
EEZ	Exclusive Economic Zone
FDI	Foreign Direct Investment
IR	International relations
PBB	Philippine Baseline Bill
PLA	People’s Liberation Army
SCO	Shanghai Cooperation Organisation
SCS	South China Sea
SIPRI	Stockholm International Peace Research Institute
SLOC	Sea-lanes of Communication
TAC	Treaty of Amity and Cooperation
UNCLOS	UN Convention of the Law of the Sea
US	United States

I Introduction

The East Asian peace survives in a region with a history of militarised conflicts and today home to numerous of the world's flash points such as the North Korean conflict, the Taiwan issue, and the South China Sea (SCS) disputes. Post Cold War East Asia is in a state of geopolitical flux. Historical suspicion, long-term territorial disputes, challenging maritime claims, and growing military expenditure collectively weaken the prospects for success of regional multilateral security structures. Chinese naval power is expanding not just deeper, but further than Chinese shores. In 2010 Chinese warships paid their first call on Myanmar and the same year Sri Lanka opened a Chinese built deep sea port, while the deep sea port in Gwadar, Pakistan, is soon to be finished. All of this has fuelled Indian fears of a Chinese string of pearls strategy designed to maximize Chinese maritime power in the Indian Ocean. It is as part of this broader extension of influence that the SCS will be a focus of concern.

The SCS is disputed because of competing claims of sovereignty by various claimant states. Owing the amount of claimants and the complexity of the claims, the SCS dispute is sometimes labelled “the mother of all territorial disputes”. China is the most powerful claimant state and it asserts sovereignty over the entire SCS. In order to analyze the SCS disputes and to answer the research question, this paper elaborates on the claims, the interdependence, the different episodes that have occurred since 1990, and it, furthermore, considers the implications for China’s neighbourhood relations and the United States (US) presence in the Asia-Pacific. The focus is on China’s dilemma on how to preserve a balance between defending its sovereignty and other maritime interests in the SCS and similarly upholding a peaceful and stable relationship with Southeast Asian countries. China does focus a great deal on developing good neighbourhood relations and is increasingly focusing on soft power. However, China’s soft power approach concerning the SCS is mixed with a constant military presence to support its claims.

Despite a steady ebb and flow of tension in the SCS, large scale territorial conflict and war has been avoided. Moreover, in light of discussions and agreements regarding the China-Indian and China-Vietnamese borders, the risk of territorial conflict has waned on land. However, this is not the case as regards to the maritime territorial claims in the SCS and the East China Sea. Due to bilateral tensions between some claimant states, dialogue between the various claimants has been unsuccessful to make significant progress. These developments are worsened by political realities in Asia; territorial integrity and national sovereignty; and the region’s rising energy consumption which is increasing the economic and strategic value of resource rich maritime areas.

In particular, disputes over the Spratly Islands in the SCS have become a barrier for multilateral security structures. China, Vietnam, Taiwan; and partly the Philippines, Malaysia and Brunei all claim the Spratly Islands and the maritime area surrounding it. The seabed contains oil and gas, the area is very rich fishing grounds, and the islands are of strategic importance for sea-

lane protection and observation of the various states' manoeuvrings. Military forces from the various claimants occupy the islands and reefs in a patchwork pattern, which add to the difficulty of finding a solution. Furthermore, the SCS disputes have broad geopolitical implications far beyond possession of the tiny islands, because the disputes involve the navigational and economic interests of the US and Japan, and as a consequence could become a security problem affecting the entire region in case of war.

Four regional developments interconnect in the SCS. One is the attempt by the Obama administration to get the US back into Asia as a peacekeeper and alliance partner to several of China's neighbours. A second is China's growing assertiveness as a regional power. Third is China's increasing military power which is used to back up the Chinese claims. And the fourth is the unsuccessful search for an effective regional forum where disputes can be discussed and perhaps even resolved. For a decade, the different disputes concerning sovereignty over islands, reefs, and sandbanks in the SCS were only discussed at academic seminars; but in 2009, however, the SCS again became a centre of attention due to various confrontations; which has continued and even escalated within the last five months.

I argue in the paper that in the coming years, given the fact that China is increasingly showing its hunger for energy resources in the SCS, and that China is developing its naval capabilities, it is likely that China will seek to be more assertive in the SCS. Such as more frequent patrols and tougher measures to protect China's energy interests in the area. Furthermore, China will continue to assure its neighbours about its peaceful development while focusing on good bilateral cooperation with the US.

Research Question

China's dilemma is how to preserve a balance between defending its sovereignty concerning its maritime interests in the SCS and similarly upholding a peaceful and stable relationship with Southeast Asian countries. Therefore, I will in this paper seek to shed light on, why the Chinese maritime border disputes in the SCS have not been solved contrary to its land border disputes; and what China achieves and wishes to achieve from its territorial claims seen from a security interest.

II Method

The overall purpose of this paper is to present an analysis of the SCS dispute.

Southeast Asia has been predicted to be an area ripe for conflict, but despite such predictions there have not only been fewer wars than expected; the region has also shown several signs of a development towards more stability through economic interdependence.

Finding a solution to the SCS disputes I have chosen to focus on China, because China is essential when searching for a solution. China has been viewed as the most vital claimant to the area. The nature and scope of China's claim, its security position, and its military and economic activities in the region have had profound impacts on the dynamics of the past decades. Therefore, it is very important to understand China's possible moves concerning the different disputes.

I have in chapter III described the three main international relation (IR) theories' view concerning security dilemma, power, and interdependence, and I end the chapter by discussing the theories with a main focus on Realism. In order to answer the research question, the paper focuses on China's role in the region and its cooperation with other claimant states (chapter IV and V) mainly seen from a realist point of view. To shed light on China's other border disputes, I have in chapter VI analyzed how territorial disputes have been dealt with in post Cold War Asia. In chapter VII the background information concerning maritime disputes in the SCS and the international law is being analyzed to shed light on Chinese actions relating to the SCS disputes, and the importance of the SCS to China. The paper further discusses the recent incidents concerning the SCS and the changes that have taken place in China's policy regarding the SCS in the past decades. In chapter VIII the balance between growing assertiveness and the desire for cooperation as a looming policy challenge for China and other claimant parties is being identified. I end the analysis by looking at the role of the US and the Association of South East Asian Nations (ASEAN) in the region and in relation to China.

I have focused on relevant articles, and political statements, historic claims, various statistics, regional agreements, and international law in answering the research question. I seek to disclose the Chinese maritime disputes, and shed light on why the Chinese maritime disputes have not been solved compared to the Chinese mainland border issues. To analyze what China wants from its territorial claims, both seen from a domestic interest and a security interest, is important in relation to shed light on China's future intentions concerning the SCS.

Asia is often referred to as a geographic area that takes in Russia, encompasses the entire Pacific Ocean including Australia, and ranges as far west as India and Pakistan. Accordingly, anywhere possible I refer either to individual countries, to Central Asia (comprising members of the Shanghai Cooperation Organization (SCO)), to Northeast Asia (comprising Japan, China, the Korean Peninsula, and Taiwan), or to Southeast Asia (whose principal countries include Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). When referring to East

Asia both Northeast and Southeast Asia is included. I use the term China when talking about the whole country, the leadership in Beijing, or various institutions within China.

In the bibliography Chinese authors are written with their family name (as the other authors), which in Chinese is also the first name. For example, Xue Li is (Xue) as well as Mark J. Valencia is (Valencia).

The SCS dispute is in many ways similar to the Diaoyu/Senkaku Island dispute between China and Japan, but because of the limited amount of pages the China Japan maritime dispute will not be analysed. It would though be interesting in a future paper to compare the two disputes, not least because of China's strategic interest in both seas and the prospect of the two disputed areas to erupt at the same time.

III Theory

At the systemic level, Asian IR must be viewed both as a part of the global system, as well as a region in its own. Even if the historical features no longer define Asian IR today, their remaining influence maintains to be current in the minds of many Asians. As everywhere else in the world, the weight of historical incidents weighs heavily on the collective consciousness of Asians. This chapter seeks to uncover which theoretical elements will permit the development of a clear picture that explains Chinese behaviour towards maritime territorial disputes in the SCS.

Theoretical Perspectives on International Relations in Asia

David Kang has seized upon the non-realization of realist warnings of post-war Asia being ripe for rivalry to critique not just Realism but Western IR theory in general for getting Asia wrong (Kang 2003b). In Peter Katzenstein's analysis of Asian regionalism he writes that "*Theories based on Western, and especially West European experience, have been of little use in making sense of Asian regionalism*" (Katzenstein 1997: 5). Although Katzenstein's comments concern the study of Asian regionalism, the Western theories can be applied to Asian IR in general. On the other hand, G. John Ikenberry and Michael Mastanduno guard the relevance of Western theoretical frameworks in studying Asia. While intra-Asian relationships might have had some distinctive features historically, they say, this uniqueness has been watered down by the progressive integration of the region into the present international system. The international relations of Asia have obtained the behavioural norms and characteristics connected with the modern interstate system that originated in Europe and still maintains much of the features of the Westphalian model. Hence, the core concepts of IR theory such as hegemony, the distribution of power, international regimes, and political identity are as relevant in the Asian context as anywhere else (Ikenberry and Mastanduno 2003: 421-22).

In the following section, I examine three major perspectives on Asian international relations: Realism, Liberalism, and Constructivism. None of these theories are consistent, singular entities, but each contains a range of perspectives and variations. Although IR theories are put together in order to set of assumptions and arguments that are broad in reach and invented to be relevant to every region, in reality, theoretical debates about the international relations of regions often develop around issues and arguments peculiar to the region and Asia is no exception. I have divided each theory into three paragraphs: security dilemma, power, and interdependence, because these three issues will be an important part of my analysis of the SCS disputes.

Realism

Classical Realism, with its focus on state sovereignty, military power and national interest, is embedded in the diplomatic and political practices of modern Europe up to 1945. Neorealism varies primarily by placing the source of power politics in the survival needs of states rooted in anarchic international system structures. Both Classical Realism and Neorealism project onto the rest of world history their basic Europe derived story of international anarchy and balance of power politics as a permanent, universal structure condition. Realism has played a key position in defining the mainstream subject matter of IR in state centric terms.

Security Dilemma

Realists believe that the consequence of anarchy is that states will demand security above all else. If there is no international order, states want to secure themselves and try to get as much power as possible. Since security can only be achieved through power, anarchy produces the security dilemma.

For realists anarchy simply refers to the absence of any authority above states. States are sovereign. They claim a right to be independent or autonomous from other states, and they claim a right to exercise complete authority over their own territories, none may claim to dominate another sovereign state. Within anarchy there is an absence of hierarchy – no one really decides; there is hierarchy of power in international politics, but there is not a hierarchy of authority. Some states are clearly more powerful than others, but there is no recognized authority (Viotti and Kauppi 2003: 47-48). In the absence of any higher authority to resolve disputes and impose order, peace has usually proved fleeting, and conflict has been the norm. Under conditions of anarchy, it is the material power, in particular, the military strength of the various units in an international system that has typically been decisive in shaping the patterns of relations among them (Friedberg 2005: 17).

As a state's capabilities grow, its leaders tend to define their interests more expansively and to seek a greater degree of influence over what is going on around them. Rising powers are often drawn to challenge territorial boundaries, international institutional arrangements, and hierarchies of prestige that were put in place when they were relatively weak. This often brings them into conflict with more established great powers, which are typically the architects and principal beneficiaries of the existing international system (Ibid: 19).

Realists generally put forward two arguments to carry their case about Southeast Asian security. First, regional states are little by little increasing their defence spending, because they fear that the numerous of political, historical or territorial disputes in the region might lead to military conflict. Second, countries in Southeast Asia are said to behave in accordance with the logic of balance of power politics, for example, by building defence ties with major powers against

outer pressure or as a way of guarantee in times of strategic doubt. This way of thinking is fully consistent with the mainstream neorealist literature within IR theory. From this point of view, states do not have many alternatives, if they want to maintain their survival under the anarchical conditions of the international system. They can either exercise self-help by arming themselves or create alliances in order to maintain a stable balance of power (Busse 1999:41)

Power

Realists take the international system to be in anarchy (no authority above the state), in which states, as the main actors in international relations, are guided mainly by consideration of power and the national interest. International relations are a zero sum game, in which states are more concerned with their relative gains rather than absolute gains; how much one gains vis-à-vis another is more important than the fact that everybody may gain something. The relentless competition for power and influence makes conflict inevitable and cooperation rare and superficial; international institutions operate on the margins of great power whims and caprice. International order, never permanent, is maintained by manipulating the balance of power, with power defined primarily in economic and military terms.

Neorealism stresses the importance of the structural properties of the international system, especially the distribution of power, in shaping conflict and order; thereby downplaying the impact of human nature (emphasized by Classical Realists) or domestic politics in international relations. More recently, intra realist debates have revealed differences between “offensive realists” and “defensive realists”. Offensive realists, such as John Mearsheimer, argue that states are power maximizers: going for all they can get with hegemony as their ultimate goal. Defensive realists, such as Charles Glaser, maintain that states are generally satisfied with the status quo if their own security is not challenged, and thus they concentrate on maintaining the balance of power (Glaser 2011). Whether academic or policy oriented, realists view the balance of power as the key force shaping Asia’s post-war international relations with the US as chief regional balancer.

For realists bipolarity is a more secure international system than multipolarity both in terms of the strength of the system itself and the balance between conflict and order that triumph within the system. The end of the Cold War would witness the decompression of conflicts held under check under bipolar management, hence, Realism paints a dark picture of Asia’s post-Cold War order. In policy debates, the favourite Realist cliché in the initial post-Cold War years was the power vacuum created by superpower retrenchment. Questions about a power vacuum inevitably beg the question of who is to fill it. From a power transition theory perspective, realists foresee an unavoidable confrontation of the status quo powers (US) and its rising power challenger (China). Paving the way for such a confrontation is the logic of offensive Realism, which sees a predictable tendency in rising powers towards regional expansionism. John Mearsheimer compares the rise of

China to that of the US in the nineteenth century, where the aspiring hegemon went on a spree of acquiring adjacent territories and imposed a sphere of influence (Monroe Doctrine) in the wider neighbourhood (Mearsheimer 2001: 41) Expansionism takes place not because rising powers are hardwired into an expansionist mode, but because anarchy brings about a concern for survival even among the most powerful actors. Great powers endure no less than weak states from survival anxieties, and it is this concern for survival that steer them towards regional hegemony. The result is the paradoxical logic of expand to survive.

More recently, realist perspectives on Asian IR have come under attack. The predictions of offensive realists about Asia's post-Cold War insecurity have yet to materialize. Moreover, Realism's causal emphasis on US military presence as the chief factor behind Asia's stability and prosperity ignores the role of other forces, including Asian regional norms and institutions, economic growth, and domestic politics. In a similar vein, Realism's argument that the Cold War bipolarity generated regional stability can be questioned. Yan Xuetong (2003) argues that while Cold War bipolarity might have prevented war between the superpowers, it permitted numerous regional conflicts causing massive death and destruction:

The history of East Asia does not support the argument that the balanced strengths between China and the United States can prevent limited conventional wars in East Asia. During the Cold War, the balance of power between the United States and the Soviet Union did prevent them from attacking each other directly in this region, but it failed to prevent wars between their allies or wars between one of them and the allies of the other, such as the Korean War in the 1950s. Hence, even if a balance of power existed between China and the United States after the Cold War, we would still not be sure it had the function of preventing limited conventional wars in this region (Xuetong 2003:31).

The realist image of the new Pacific century places a strong emphasis on rising Chinese power and offers a somewhat pessimistic outlook for the future. This is not surprising given its introspective philosophical foundations, based upon the writings of Thucydides, Niccolo Machiavelli, and Thomas Hobbes, all of whom concentrated upon the more negative traits of human and state behaviour. Realist analysis prioritizes issues of high politics such as military security, state diplomacy, and great power rivalry. Above all, it is concerned with shifts in the international balance of power. Offensive realists, such as John Mearsheimer (2003), underline the tendency for states to maximize their power. According to Michael Pillsbury (2000), the accomplishment of full national power is an important aspect of China's grand strategy to realize its Chinese century. These aspects will result in a security dilemma; a state of intensified suspicion between the US and its allies and a newly powerful China. Realist balance of power theory foresees that a security dilemma will spur the formation of competing alliance blocs (Wilkins 2010: 393).

Interdependence

Realists tend to see interdependence as being between or among states. Interdependence indicates some degree of vulnerability by one party to another, and to avoid that realists have argued that it is better to be independent or to minimize dependency. Realists tend to see the economy as being subject to political choice, which means that economy is to be used as a political tool and is less important than security. Economic, political and military dependency on other states are to be minimised, whereas dependency of others on one's own state may be desirable, to the extent that it increases one's control over those other states (Viotti and Kauppi 2003: 58).

Realists dismiss the capacity of regional institutions in Asia to act as a force for peace. Regional order rests on bilateralism rather than multilateralism. Realist scholar Michael Leifer described Asian regional security institutions as adjuncts to the balance of power during the Cold War (Leifer 1996: 53-4). One concession made to Asian institutions is its role in smoothing the rough edges of balance of power geopolitics. According to Realism, weak powers are structurally unqualified for sustaining order and achieving security and prosperity on their own terms and within their own means, the best way to manage the security dilemma is to keep all the relevant great powers involved in the regional arena so that they can balance each other's influence.

While Realism is preoccupied with issues of security and order, Liberalism focuses more on the nature and dynamics of the international political economy.

Liberalism

Liberalism has its roots in European political and economic theory and in the Western tradition of political economy from the nineteenth century onwards. The central liberal principles of individualism and the market all come out of Western thoughts and traditions.

Liberalism's three pillars:

1. Economic interdependence, in particular free trade, diminishes the chance of conflict by increasing its costs to the involved.
2. Democratic peace, liberal democracies are believed to be more peaceful than non-democracies.
3. Liberal institutions, the contribution of international organizations in promoting collective security, managing conflicts, and encourage cooperation.

While realism has a tendency to relegate the economic sector as being an aspect of state power, the natural tendency of economic liberalism is to divide the economic and political fields; treating the former as a separate domain open to scientific analysis, and the latter as a residual that will largely be taken care of if the economy is run on sound liberal principles. International political economy struggles against these trends, refusing the idea that the economic and political sectors can be seen as autonomous and consider them instead as strongly interlinked.

Security Dilemma

A recent variant of Liberal institutionalism is neoliberal institutionalism, which accepts the realist argument that the international system is anarchic and that states are the most important actors in international relations, but it opposes with neorealist's dismissal of international institutions. Neoliberals sustain that international institutions can adjust state behaviour and encourage cooperation by reducing transaction costs, assist in information sharing, avoid cheating, and provide opportunities for peaceful resolution of conflicts.

Liberals of all persuasions rest on the scenario of regional peace and prosperity and are not as much fascinated by the image of Chinese superiority than the realists. Liberalism draws on the writings of John Locke and Immanuel Kant, among others, as its philosophical orientation. Rather than focusing on the relative benefits to be achieved by state rivalry, they are more transnational in approach, centred on the benefits that may be enjoyed by all through improved regional cooperation (Wilkins 2010: 394).

There are a number of overlapping props to the general vision of the liberals with regard to the Pacific Century. First, liberals recognize that owing the process of globalization, in particular its economic dimension, a situation of complex interdependence now exists among East Asian nations. Since all the developed or developing states in the region are dependent upon one another for trade, investment, and markets; any state considering a launch of military conflict will be inhibited by the economic damage it would inflict upon itself. Second, supporting this force towards cooperation, institutionalists draw attention to the capacity of international and multilateral organizations to manage the region and overcome or resolve disputes between states. Finally, emphasizing the institutionalist position, Liberals argue that the increase of democracy and ongoing democratic reform in the region will result in a sustainable peace in the future (Ibid: 394-5). Based upon the assumption that democracies do not fight each other; the more democratic the region becomes, the more conflict between states will diminish towards a zero point (Brown 1996). The regimes of Myanmar and North Korea do not help much for confidence on this front, but on the other hand the successful transformation of Japan, South Korea, and Taiwan along democratic lines set optimistic examples.

Democratic peace theory has found very little expression in writings on Asian IR maybe because historically Asia has had few democracies. Moreover, Asia's democracies have a tendency to be of the illiberal variety, making it more plausible to speak of an illiberal peace, especially in Southeast Asia where a group of authoritarian and semi-authoritarian states avoid conflict by focusing on economic growth, performance legitimacy, and sovereignty-preserving regional institutions. According to Amitav Acharya (2008) the democratic peace argument has found more critics than adherents in Asia.

While Realism is preoccupied with issues of security and order, Liberalism focuses more on the nature and dynamics of the international political economy. Liberal perceptions on Asia's international relations are no exception. For Liberals, the basics of the post war international relations of Asia were laid by the post-World War II international economic system under US hegemony. The creation of international institutions, such as the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade, which played a central role in distributing the norms of economic Liberalism.

Power

Liberalists focus on three mechanisms: economic interdependence, international institutions, and democratization. Bilateral economic exchange creates shared interests in good relations between states. The greater the volume of trade and investment flowing between two countries, the more groups on both sides will have a strong interest in avoiding conflict and preserving peace. Furthermore, Liberalists believe that international institutions in various kinds can help to improve communication between states, reducing uncertainty about intentions, and increasing the capacity of governments to make credible, binding commitments to one another (Friedberg 2005: 13).

Concerning interdependence, liberalists focus on existing institutions giving rising powers more to say in the international diplomacy and thereby keep them within close range instead of the opposite. Liberalists do not assume that all countries have the same goals. Here they agree with realists, but they have identified mechanisms for states to attain aims that most states can share, for example, increased wealth and greater voice politically within international institutions (Brawley 2007: 165).

Interdependence

Liberals stress the differences between nineteenth century and contemporary patterns of economic interdependence. The early version was based on trade and exchange, while today economic interdependence is rooted in transnational production networks, not least in Asia, which is costly to stop and has a deeper and more durable impact on national political and security autonomy.

The growth of regional institutions in Asia permits more space to Liberal notions of order-building through institutions, but the Liberal understanding overlaps considerably with social Constructivist approaches. Indeed, institutionalism is no longer an entirely liberal preserve; in Asia at least, it has been appropriated by constructivists who have both deepened and expanded the understandings of what institutions are and how they impact on Asia's international relations. Liberalism shares the realist conception of anarchy while disagreeing with Realism on the value of institutions as agents of cooperation and change.

Liberal conceptions of the international relations of Asia have mainly stressed the role of increasing interdependence as a force for peace (Ming 2003: 301). The interdependence argument was advanced even more after the end of the Cold War and the rise of Chinese economic power. Liberals, both Western and Asian, came to view it as a central aspect in making China's rise peaceful. On the other hand, realists often note the failure of European economic interdependence to prevent the First World War – *“when goods do not cross borders, soldiers will”* (Bastiat)

According to Liberalism institutions may encourage cooperation because they can boost information flows, cut transaction costs, and prevent cheating. But institutions are not really transformative; the result may be an international regime rather than a security community, where the prospect of war is unthinkable. In Asia, the Asia Pacific Economic Cooperation (APEC) has been the one regime/institution that liberals have been most attracted to. But even there, and certainly in the case of the more ASEAN-centric institutions (e.g., ASEAN, ARF, ASEAN+3, and EAS), Constructivism, with its stress on the culture- and identity-derived notion of the “ASEAN Way”¹, has been a more popular mode of analysis than Liberalism (Acharya: 68-69).

Constructivism

Constructivism is a framework for the analysis of international relations that has developed over the past two decade. It has roots in Western philosophy of knowledge and social theory, building mainly on the work of modern European social theorists such as Pierre Bourdieu and Michel Foucault as well as older approaches like Hedley Bull's “anarchical society”. Constructivism puts itself as an alternative to the materialist, positivist epistemologies underpinning Realism and Liberalism, considering the social world as needing to be approached in its own terms as an intersubjective realm of shared understandings (Acharya 2010: 9).

Security Dilemma

Constructivist theory discards the basic statement of Realism that the state of anarchy is a structural condition inherent in the system of states. Constructivism argues that anarchy is what states make of it (Wendt 1992). In other words, anarchy is a condition of the system of states, because states choose to make it so. Anarchy is the consequence of a practice that constructs the rules or norms that govern the relations among states; it is not an inherent fact of state to state relations. Thus, constructivist theory argues that it is possible to change the anarchic nature of the system of states. The constructivist approach view states as social actors whose actions follow international or domestic rules. From this view, human behaviour is driven by rules, norms, institutions, and identities.

¹ The so-called ASEAN Way emphasizes decision making by consensus, respect for national sovereignty, non-interference in internal affairs, and a gradual pace to security cooperation.

Constructivism draws upon these insights by initiating new ideas to IR theory. One central term is identity which can be defined as a relatively stable, role-specific understanding and expectation about self (Ibid: 397). The theory is important for world politics, because state identities serve as the starting point, of what we generally refer to as state interests. Besides some very essential interests, such as mere survival, actors do not bring a portfolio of interests independent of social context.

David Kang (2003b) examines Asian security from the perspective of Asia's own history and culture. He raises the notion of a hierarchical regional system in Asia at the time of China's imperial authority and the tributary system. With the emergence of China as a regional and global power, Asia states could obtain stability through bandwagoning with China. He implies a return to hierarchy and stability under Chinese pre-eminence. His argument has been contentious even among constructivists, who have questioned its assertion about the peaceful nature of the old tributary system. Moreover, Kang (Ibid) implies that this whole approach is unproductive, and advocates that the traditionalists have misread China's intentions and their likely impact.

Constructivism has advanced the understanding of Asia's international relations in central ways. It focuses on the role of ideational forces such as culture, norms, and identity; which develop our understanding of the foundation and factors of Asian regional order. Second, Constructivists have disputed the acceptance of the balance of power system posited by realists as the basis of Asian regional order by giving greater play to the prospect of change and transformation motivated by socialization (Acharya and Stubbs 2006).

Power

According to Constructivism foreign policy has to do with identity, which is based on norms that can be defined as collective expectations about proper behaviour for a given identity (Jepperson *et al.* 1996: 54). The norms contain exact prescriptions for action, which serve as principles for channelling the behaviour of an actor and allow others to evaluate his actions.

Within international relations, sovereignty is perhaps the most fundamental norm (Ruggie 1986); it orders the behaviour of states by establishing principles like self determination or non-interference. Sovereignty is an exclusive norm, because it decides who will be an actor and who will not. In the international system the advantage of agency is almost entirely enjoyed by nation-states (Busse 1999:44-45). One of the suggestions from the constructivist research programme put forward that systemic cooperation over time can lead to the formation of a collective identity among a group of states. A collective identity indicates that states positively identify with the destiny of others, they define their interests with regard to other states, and they possibly will also develop a sense of community (Wendt 1994).

As noted earlier, international relations are, according to constructivists, formed not just by material forces such as power and wealth, but also by subjective and intersubjective factors

including ideas, norms, history, culture, and identity. Constructivism takes a sociological, rather than strategic interaction, view of international relations. The interests and identities of states are not preordained, but materialize and adjust through a process of mutual interactions and socialization. Conditions such as anarchy and power politics are not everlasting but are socially constructed. State interests and identities are constituted by these social structures rather than given externally to the system by human nature or domestic politics. Norms, once established, have a life of their own; they form and redefine state interests and approaches (Acharya 2008: 69-70).

Interdependence

For Constructivists, international institutions have an important impact on the behaviour of states; they do not only adjust state behaviour but also constitute state identities. Through interaction and socialization states may grow a collective identity, which allows them to overcome power politics and the security dilemma (Acharya 2008: 69-70).

Constructivism clarifies why a different form of regionalism was possible in Asia, one that was more reflective of the normative and cultural values of the Asian states and their shared identities as recently independent states in search of national and regional autonomy. This clarifies the birth and evolution of ASEAN. ASEAN's establishment in 1967, constructivists argue, cannot be explained from a realist perspective, in the nonexistence of a common external threat perception; or from a liberal one which would suppose considerable interdependence among its members. Neither of these circumstances marked the relationship among ASEAN's founding members at its birth. Instead, regionalism in Southeast Asia was a result of ideational forces, such as shared norms, and socialization in search of a common identity. Shared norms, including non-intervention, equality of states, and avoidance of membership in great power military pacts were important in determining a deliberately weak and fairly non-institutionalized form of regionalism that came to be known as the "ASEAN Way" (Acharya 2008: 71).

Regional institutions have thus been at the core of constructivist understanding of Asia's post war international relations. It is through Asian institutions that constructivists have attempted to project and test their notions about the role of ideas (for example, common and cooperative security), identity (the ASEAN Way), and socialization. Apart from conceptualizing the characteristic nature and performance of Asian regional institutions, which are either rejected by realists or insufficiently captured by neo-liberal institutionalism; constructivists have taken part in the debate on Asia's future security order by directly challenging the ripe for rivalry scenario put forward by Friedberg (2005).

Constructivism is struggling to obtain the status of an IR theory similar to Realism and Liberalism, though some critics view it as social theory that has no basis in IR. Constructivists are also blamed of lacking middle-range theory and not following serious empirical research; some

Constructivists themselves admit that like rational choice, it is more of a method than a theory per se (Checkel 1998). But Constructivism has been of assistance to answer a number of key puzzles about Asian security order. While Constructivism is essentially a post-Cold War theory, it has succeeded in explaining key puzzles of Asian international relations during the Cold War period. Constructivists stress the role of collective identities in the foundation of Asia's post war international relations. In a contribution, Chris Hemmer and Peter Katzenstein clarify the puzzle of "*why there is no NATO in Asia*" by examining the disagreeing observation of collective identity held by US policymakers in relation to Europe and Asia (Hemmer and Katzenstein 2002). While this explanation highlights the collective identity of an external actor, other constructivist perspectives highlights the normative worry of Asian actors themselves, in particular Asia's nationalist leaders, who delegitimized collective defence by viewing it as a form of great power intervention.

Discussion of Theory

Western IR theories have been very useful in explaining the actuality of Asian international relations, especially Realism and security studies (Ikenberry and Mastanduno 2003; Alagappa 2003b). As Northeast Asia has been characterized by a balance of power system and security competition, theories about balance of power, hegemony, security dilemma, and power transition have been particularly useful. This implies that the modern element of this part of the region has been excavated by insights of Western IR theories, because the certainty those theories deal with corresponds to a definite feature of the Northeast Asian reality (Chun 2010: 86).

As elsewhere and in other periods of history, theoretical opinions and claims about Asian IR strongly approximate change in global and regional international relations. The rising popularity of Liberalism (not the democratic peace argument) and Constructivism in Asian IR is directly associated with the end of the Cold War and the materialization of new regional institutions in Asia. While history steers theoretical shifts, to some extent, theories have offered rationalization of event driven policy perspectives and approaches. Thus, China-US tension over Taiwan and the SCS have given a fresh momentum for realist pessimism, while the Declaration on the Conduct of Parties² (DOC), and the emergence of the ASEAN Regional Forum (ARF) and the East Asian Summit (EAS) have given a boost to Liberal and Constructivist optimism.

One of the biggest problems for most theories are their lack of ability to give explanations to the East Asian peace given the lack of security organisations or other formalised mechanisms to stop the present tensions and disputes from escalating into violence and/or to resolve them and

² The Declaration on the Conduct of Parties in the South China Sea was signed on 4 November 2002 during the eighth ASEAN Summit in Phnom Penh, Cambodia by leaders of ASEAN and China. The Parties reaffirm their commitment to the purposes and principles of the Charter of the United Nations, the 1982 UN Convention on the Law of the Sea (UNCLOS), the Treaty of Amity and Cooperation (TAC), the Five Principles of Peaceful Coexistence, and other universally recognized principles of international law, which shall serve as the basic norms governing state-to-state relations.

build peace. There are several non-Western contributions that fit generally within IR theory, though these nearly never meet the criteria for hard theory. Instead, they are prone to fit within softer notions focusing on the ideas and beliefs from classical and contemporary periods. In parallel with Western international theories' focus on key figures such as Thucydides, Hobbes, Machiavelli, Kant etc., there are Asian classical traditions and religious, political, and military figures such as Sun Tzu and Confucius of which some secondary political theory literature exists. Attempts to draw theories from these do exist but have been rare (Hui 2003).

There is a growing disapproval in Asia over the significance of present IR theory in capturing and describing the practice of the non-Western states and cultures. Scholars of Realism, the leading theory for analyzing the East Asian security setting, have painted a dim image of the scenario for the SCS and the East Asian region in the post-Cold War era. Continuous disputes dominate their forecasts (Kang 2003a). However, these forecasts have so far not materialized. Even if less prone to predict conflict, Liberalism is likely either to grant the different institutional arrangements in East Asia more importance than they are worthy of, or to discharge them simply because they are so diverse from Western institutions. Constructivism, on the other hand, is likely to praise Asian identity building way too much. One of the biggest difficulties for mainstream theories is the lack of ability to explain East Asian peace because of the lack of security organizations or other formal conflict management mechanisms to avoid disputes from escalating into violence and/or to resolve them and build peace.

Realists' image of international relations are a "realistic picture", but critics have stated that the importance is not the way the world is but the way it ought to be. Critics also state that realists are so obsessed with the state that they ignore other actors³ and other issues not directly related to the maintenance of state security. Realists argue that military spending contributes to international tension, regional wars, and socioeconomic deprivation; because it is almost exclusively states that spend this money to buy or produce military hardware; therefore, it makes sense to focus on states as the unit of analysis (Viotti and Kauppi 2003: 61). Realists have also been criticized for its broad definition of power, for leading to war as opposed to preventing it, a theory serving as a poor guide for statesmen, and not least functioning as a propaganda tool to justify defence spending. Furthermore, realists are criticized for reflecting a world full of weapons forever on the verge of violent conflict and war (Ibid: 64).

Liberalists agree with realists that the condition of anarchy that characterizes world politics contributes to suspicion and distrust among states and pose as an obstacle for cooperation and peace. Opposite realists, liberalists believe that a harmony of interests among states is possible, and liberalists often downplay the role of anarchy and the security dilemma in explaining

³ By actors mean multinational corporations, banks, terrorists, and international organizations; and issues such as international pollution and the socioeconomic gap between rich and poor societies.

international relations. Realists believe that international cooperation can slip into war, because states often have different interests that conflict. The liberalist response to that would be, that seeing the world as nothing more than competition and conflict will tend to produce similar responses in others, thus, confirming one's initial suspicions. According to realists, interdependence makes a state vulnerable. Liberalists do not exclude interdependence as vulnerability, but instead they focus on the multiple channels that connect societies, including interstate, transgovernmental, and transnational relations. According to liberalists, socioeconomic issues may be as or more important than security issues. Although, there are costs associated with interdependence, benefits to either or both parties may outweigh these costs (Ibid: 248-49).

It is relatively evident that the line separating the three theoretical perspectives, Realism, Liberalism and Constructivism, on Asian international relations has never been neat. The discussion among Realist pessimism and Liberal/Constructivist optimism regarding the future of Asia's security order remains far from being fully developed, as well as the discussion within the realist camp among offensive and defensive realists. Furthermore, the discussion of Asia's future security order is not as much of whether it will feature some type of joint mechanism, than which type of cooperation/accommodation (concert, community, soft balancing, and hierarchy) that will be realistic. In this context, while established conceptions of regional order in Asia turn around the relationship of rivalry and accommodation between the great powers; the great powers' relations to weaker states have become particularly important in a region, in which the weaker states run regional cooperation and institution building.

Asian international relations today all together involve realist characteristics of power politics, liberal institutionalist characteristics of intergovernmental multilateralism, and constructivist characteristics of gradually more joint ideational and behavioural norms among policy elites (Shambaugh 2008: 9). Realism maintains a dominant position but not a hegemonic position. Realist arguments, such as power transition, back to the future, and ripe for rivalry have regularly offered the opening of a debate over Asia's rising and future international order; but newer approaches, especially liberal and constructivist viewpoints, are enriching academic and policy discussions on Asian IR. While Constructivism has been criticized as a trend, it is likely to maintain a central place in writings on Asian IR, because its focus on subjects of culture and identity resonate well with Asian thinkers and writers. According to Amitav Acharya, "*East Asia may be dressed up in Westphalian costume, but is not performing a Westphalian play. Because of its Confucian culture, East Asian states are more likely to Bandwagon with power rather than balance against it*" (Acharya 2010: 5).

There is no scarcity of theoretical explanations or alternative models attempting to characterize the Asian regional order or system. Muthiah Alagappa (2003b) identifies three conceptions of regional order: hegemony with Liberal features, strategic condominium/balance of

power, and normative-contractual conceptions. David Shambaugh (2005) identifies three distinct alternative models: hub and spokes, normative community, and complex interdependence that would have enough explanatory power to describe parts of the contemporary Asian order, but none would be sufficient alone.

However, many other scholars wed to the realist tradition and see Asian states hedging or balancing against a rising China (Medeiros 2005/06) and the US as a continuing dominant power in the region (Sutter 2008). Robert Kagan (2005) argues that it is risky to try and “manage China’s rise”. John Mearsheimer (2001) applies his offensive Realism theory to Asia by arguing that China, like all great powers prior to, will unavoidably seek regional hegemonic authority, and that the “structural asymmetry” between the rising power and the existing leading power will characterize the Asian order and inevitably cause great power war, if not the existing leading power takes preemptive action. Both Mearsheimer and Kagan believe that the only doable option to prevent conflict with China is to pre-emptively contain it. In contrast, Amitav Acharya rejects the applicability of realist paradigms and argues that Asia is experiencing the appearance of collective norms about interstate relations rooted in the “ASEAN Way” (Acharya 2004). While no single theory explains all, each theory contributes in part to our understanding of Asian international politics in the early twenty first century.

For the purpose of analysing the territorial disputes in the SCS, none of the three theories can explain the present situation, but I will mainly focus on Realism in my analysis, because of the security dilemma and China’s assertiveness concerning its territorial claims. There have been no war in Asia as predicted, interdependence and cooperation have increased dramatically, and ASEAN has a big say, therefore, I cannot just eliminate Constructivism and Liberalism even though my focus for analyzing is primarily focused on Realism.

From a realist angle East Asia is ripe for conflict because of its rising great powers, which is expected to change the balance of power and produce a power vacuum. A large number of the disagreements concern territory, which in realist sense is the most complicated to find a solution to and the most liable to lead to war, because such disputes is supported by realist practices like alliances, military build up, and power balancing. Realism describes state behaviour in terms of the demands and openings shaped by the international system. According to Realism domestic factors cannot give explanations to international conflicts, since the routine actions of independent states that seek to preserve their security in an anarchic world can result in war. This is not how it works every time, of course, and illuminating how security seeking states go to war is a puzzle, since they may opt for cooperation and the advantages of peace as an alternative. The explanation to the puzzle is within the concept of the security dilemma - a condition in which one state’s efforts to boost its own security diminishes the security of others.

The concentration of the security dilemma depends, in part, on the simplicity of showing aggression and force. When aggression is trouble free, even a minor enlargement in one state's military that notably reduces the security of others can fuel a spiral of anxiety and arming. On the other hand, when protection and prevention are easy, adjustments or modernisations in one state's military do not automatically intimidate others. The concentration of the security dilemma also has to do with other states' analyzing of reasons and objectives. For example, if a state trusts that its opponent is motivated only by a search for security rather than a wish to control, it might perceive boosts in the opponent's military less worrying and therefore does not seek to take further action.

The prospect of difference in the concentration of the security dilemma has remarkable implications for realist theory. When the security dilemma is harsh, opposition will in fact be strong and conflict more likely; what Charles Glaser (2011: 83) describes as "classic behaviours" foreseen by realist pessimism. In a mild security dilemma the international system produces openings for moderation and peace, since insecurity might force an adversary to implement hostile policies. This dynamic produces motivation for moderation and cooperation. If a state can be convinced that all an adversary desires is security the state may relax and be more likely not to escalate a conflict or a territorial dispute for security reasons.

IV China and Its Territorial Disputes

In Asia territorial disputes have been pervasive. Almost every country in East and Southeast Asia has bilateral or multilateral territorial disagreements with its neighbours. During the Cold War these territorial disputes led to numerous military and non-military conflicts that made the region the third ranking in terms of armed conflict after Africa and the Middle East (Bercovitch and Jackson 1997: 11). In the post-Cold War period, no full-scale war has been fought for territorial purposes, but several territorial disputes remain unsettled, and many flash points latent for military confrontation are interrelated with challenging territorial claims. According to Jianwei Wang (2003: 380), *“Nations will go far to defend their territorial integrity, even when the territory has little strategic or economic worth, its symbolic value is often sufficiently powerful to motivate states to go to war.”*

In the post-Cold War era the territorial disputes in Asia continue to be a source of conflict, but that largely its salience has been fading in the emerging regional security order. That no war has been fought for territory in East Asia since the late 1980s points to a trend, where the countries seek to find peaceful settlements of the remaining disputes. The change to peaceful means can be ascribed to numerous factors: the decline of the value of the land, the reduction of major power rivalry in the region, and alterations in domestic priorities and foreign policy norms; all associated with changes in power structure, national goals, and threat perceptions. Moreover, the emphasis on conflict management is shifting from conflict prevention to conflict resolution/termination. The post-Cold War period has been followed by new initiatives to settle territorial disputes. China has shown the way in this tendency and resolved some of its most thorny border disputes with its neighbours. In terms of conflict management, multilateral mechanisms have been growing and becoming ever more essential. Still, bilateral talks continues to be the most successful pathway to conflict prevention, and according to Jianwei Wang (Ibid: 381), *“future territorial disputes are likely to remain a function of the external relations and internal transitions of major players in the region.”*

Most scholars in the field of Territorial disputes⁴ concur that territorial disputes are the most distracting threat to international order and the main cause of international conflict. Indeed, there is a connection between territorial disputes and war. John Vasquez argues that territorial issues have been the main source for war for almost 350 years of modern history. States that have territorial disputes are inclined to go to war with each other more often than other states (Vasquez 1993: 131-32). Compared with other forms of disputes between states, territorial disagreements are more prone to lead to military conflict and war. Most territorial disputes, however, are handled peacefully among states. More often than not, a territorial dispute is

⁴ A territorial dispute is defined here as a disagreement between two states over where their common borders should be drawn or over the ownership of territory either within the borders of one country or outside of both countries.

exploited by states as an initiator for other political and strategic conflicts. The significance of territory is not as essential as broad foreign and domestic policy goals in explaining the conflict (Mitchell 1999).

Disputes in East Asia

Territorial focus has been one of the issues characterizing international relations in Asia since 1945 when the majority of states in East Asia have become modern nation states. Consequently, the Westphalian notion of national sovereignty and territorial integrity are perceived as being very important. Territorial disputes tend to be a serious issue in East Asia, a region with the most divided nations and with many territorial disputes. As seen in Table 1, China is involved in many disputes in the region. Besides China’s maritime disputes in the SCS, it is also involved in a maritime dispute with Japan over the Diaoyu/Senkaku Islands, which escalates from time to time with the latest being in 2010).

Although territorial disputes are pervasive in East Asia, their magnitude and therefore their punch on the security order varies. The East Asian disputes can be divided into four groupings according to their magnitude. The first grouping consists of the territorial disputes that have caused full scale war between the claimants. The China-Indian border war in 1962 and the China-Vietnamese border war in 1979 are in this group. These large scale military conflicts mainly results in heavy casualties and a disrupted regional order. In shorts such territorial disputes often

Table 1: Territorial Disputes in the Asia Pacific (Wang 2003: 385)

Disputants	Disputes	Current intensity
<i>Northeast Asia</i>		
China–Russia	Border	Low
China–Japan	Marine (Senkaku/Diaoyu)	Mediate
China–North Korea	Border	Low
China–Tajikistan	Border	Low
Japan–Russia	Marine (Northern Territories)	Mediate
Japan–South Korea	Marine (Tok–do/Takeshima)	Mediate
<i>Southeast Asia</i>		
Vietnam–China	Marine (South China Sea)	Mediate
Vietnam–Cambodia	Border and marine (Gulf of Thailand)	Mediate
Vietnam–Philippines	Marine (Spratlys)	Mediate
Thailand–Cambodia	Border and marine	Mediate
Thailand–Myanmar	Border	Mediate
Thailand–Laos	Border	Low
Thailand–Malaysia	Border	Mediate
Indonesia–Malaysia	Border and marine (Ligitan and Sipadan)	Mediate
Malaysia–China	Marine (Spratlys)	Mediate
Philippines–Malaysia	Border (Sabah) and marine	Mediate
Philippines–China	Marine (Spratlys)	High
Singapore–Malaysia	Marine	Low
<i>South Asia</i>		
China–India	Border	Mediate
China–Bhutan	Border	Low
India–Pakistan	Border (Kashmir, Jammu)	High
India–Bangladesh	Border and marine (New Moore/South Talpatty)	Mediate
Afghanistan–Pakistan	Border	Low

generate long-term rivalries between claimants. The second grouping consists of territorial disputes that also resulted in armed conflict and human losses but slightly more moderate. The short naval clashes between China and Vietnam in 1974 and 1988, as well as the border clashes involving China and Nepal in 1960, and China and Burma in 1969 all belong to this grouping. Even though there was a military clash between the claimants, the disputes did not critically interrupt normal relations between countries, and their spill-over effects on the regional order were tiny after all. The third grouping consists of territorial disputes that have stayed at a political and diplomatic level and have not developed into open military conflicts. While territory was important to claimants, it was not adequately vital for both sides to use force. Instead the territorial disputes were solved through diplomatic protests, detention of for example fishermen, propaganda offensives such as big demonstrations and the like. The China-Japan dispute over the Diaoyu/Senkaku Islands falls into this grouping. The disagreements over territories rarely lead to war; in fact, the bilateral relationship may be fairly good in other respects. China has sometimes used economic tools as a weapon to force the other claimant to soften (Marcus 2010). One example is China-Philippines relations after 1995 where China used economic leverage to soften the relations. The fourth grouping of territorial disputes consists of disagreements so minor that they do not represent issues in bilateral relations. For example, the border disputes between China and Bhutan and between China and North Korea fall into this grouping. Although, these disagreements may stay unsettled, they hardly ever turn into a conflict, and so do not need to be dealt with.

The intensity of the various disputes, of course, may transform or if necessary be used in a domestic context. The intensity of territorial disputes between China and the Soviet Union has experienced a curve of low-high-low intensity. The same can be said of the Chinese-Vietnamese border disputes, even though, one can argue that it is mediate at the moment.

Reasons for Disputes

A number of territorial disputes in Asia are linked to colonial rule. The China-Indian border war was mainly a consequence of the “McMahon Line”⁵. While China has never accepted this line, India has accepted it as the official border between the two countries. Other territorial disputes in the region derived from treaties signed between weak states and major powers or from agreements completed among victorious states vis-à-vis defeated states. A string of treaties involving Russia and the weak Qing Dynasty during the nineteenth century transferred Chinese land to Russia, planting seeds for future disputes.

⁵ Frontier between Tibet and Assam in British India negotiated between Tibet and Great Britain at the end of the Shimla Conference (October 1913–July 1914) and named after the chief British negotiator, Sir Henry McMahon. Delegates of the Chinese republican government also attended the Shimla Conference, but they refused to sign the principal agreement on the status and boundaries of Tibet on the ground that Tibet was subordinate to China and did not have the authority to sign treaties. The Chinese have maintained this position to the present day. This frontier controversy with India led to the China-Indian war in 1962.

Territorial disputes born of historical legacy should be the easiest to reconcile, if it does not have to do with loss of territory. Territorial disputes founded on colonial legacy could be more difficult to reconcile, because boundaries decided by colonial powers may well lose their authority. Such boundaries are easily perceived as an act of kindness to one side over another. Territorial disputes rooted in unequal treaties are the most difficult to resolve, because they often involve change of territory from one side to the other - thus invoking strong feelings of injustice, humiliation, and loss of identity.

Territorial disputes

The majority of territorial disputes do not directly cause full scale war. Like volcanoes, they only erupt under certain conditions; therefore, specific triggers are necessary for a territorial dispute to turn into a territorial conflict. By eliminating these triggers conflict resolution is possible.

The various triggers can be separated into territorial and non-territorial causes. The former are associated with the importance of the territory; the latter with political, security, or even psychological considerations. According to Gary Goertz and Paul F. Diehl (1992: 14-21) the salience of territorial disputes rests on the kind of territory. Often it is the significance of the territory that determines when states choose war, or a peaceful solution is achieved. Goertz and Diehl differentiate between the intrinsic and relational importance of territory. A territory's intrinsic significance refers to characteristics that can be acknowledged as precious, no matter whose viewpoint is considered. Intrinsic characteristics contain the territory's natural resource base (minerals, energy, and water), its market value, and the value of the land. A territory's relational importance refers to characteristics that may have a diverse significance for the claimant states. Relational characteristics contain the territory's geographic location relative to other states, the ethnic composition of its population, and its historical importance.

Paul Huth (1996: 75) has studied the importance of parameters associated with the intrinsic and relational importance of territory. In terms of intrinsic importance he found that economically valuable bordering territory (rich in natural resources, providing an outlet to the sea, or containing scarce water resources) had a higher likelihood of resulting in a territorial dispute. When a territory is thought to be rich in natural economic resources, nation states have strong motivation to lay claim to it. This is above all true for developing countries, because their economy is likely to be more dependent on the export of natural resources and raw materials. In East Asia, earlier insignificant territories have become hot spots for rivalry among nations due to newly discovered economic values. The competition for islands in the Spratly Islands did not set off until the 1970s when information about the area's oil potential surfaced. One after another, countries bordering the Spratly Islands declared their sovereignty over the Islands or neighbouring waters and confronted China's historical claim.

In terms of relational importance, Huth (Ibid: 49-50) found a positive relationship linking the strategic location of the territory and the intensity of the dispute. The urge to achieve control over strategic territory is a powerful motivation for territorial claims of challenger states. Undoubtedly this factor looms large in the territorial disputes in the SCS. China's disputes with the other claimant states certainly have to do with their close proximity to major shipping lanes in the SCS. A territory's intrinsic or relational importance is not restricted to the material or physical scope. Disputed territory also serves a psychological function as a basic source of sovereignty and identity; both for the states and for the people, who live there. A solely focus on the material characteristics of territorial disputes, according to Tuomas Forsberg (1996: 438), misses the point that territory provide the very identity of nation states. Protection territorial integrity is almost without exception viewed as a crucial national interest. Few countries are prepared to lose territory, no matter how worthless it may be in material terms. As a senior Chinese leader put it,

"The Chinese people have always cherished the enterprise built by our ancestors, particularly the territorial integrity. The concept of 'losing a thousand soldiers but not an inch of land' is deeply rooted in the heart of the Chinese people. The land left by our ancestors should never become smaller in the hands of our generation" (quoted from Wang 2003: 392).

Status of Territorial Disputes

The general state of bilateral relations may determine whether a territorial dispute remains hidden (status-quo) or becomes active (conflict). When two claimants prefer to keep good bilateral relations because of common interests in other areas (economic or political considerations), territorial disagreements may be put on hold. On the other hand when bilateral relations sour, territorial disagreement may come to the forefront.

If a country is engaged in political or military disputes with other states, it may well reduce its diplomatic and military pressure against a claimant over disputed territory; it might put a country in a vulnerable position if various disputes escalated at the same time. Therefore, a country involved in multiply disputes has a motivation to avoid conflict with certain states and thereby convince them for support in a dispute with another adversary. A country may also choose to escalate the conflict in order to frighten the other claimant (Huth 1996: 54).

It is often complicated to pin down a direct link connecting a country's domestic politics and its policy towards territorial disputes. The influence of domestic politics on territorial disputes is two faceted: the leverage of different political systems and the domestic political conditions under which a country deal with its territorial disputes. Concerning political systems most states in East Asia, not long ago, were non-democracies, even though, the degree of democratization cannot clarify much difference in territorial disputes. While Japan as a democracy has not used military confrontation over disputed territory, India has often used military confrontation over territorial

disputes. Contrary, ASEAN member states, most of them authoritarian until recently, for the most part did not use military confrontation in solving their territorial disputes. As for the second facet, the impact of domestic politics under which a country deals with its territorial disputes, it can be argued that despite political system, domestic demands may well change and strengthen a government's standing on territorial issues. Political leaders from time to time adopt foreign policies that risk confrontation with other states given concern of domestic politics. Once a territorial dispute surfaces, it most likely becomes part of the domestic debate resulting in an even harder standing. In case of domestic dissatisfaction (either economically or politically), political leaders tend to use territorial disputes to "*compensate for bad domestic outcomes with good foreign policy outcomes*" (Heldt 1999: 451-78). Such cases serving as a trigger for territorial disputes are plentiful in East Asia: The Philippines' position on the Spratly Islands can be traced to the demands of domestic politics as well as China and Japan in the Senkaku/Diaoyu Island dispute (Beukel 2011).

The background and the reason for the various territorial disputes have been changing in East Asia. The strategic rivalry of major powers has in particular been reduced after the Cold War paving the way for the solving of territorial disputes in the region. Furthermore, in the light of the high-tech revolution, the traditional military importance of territory has been declining, and nearly all countries in the region have experienced an economic modernization.

Conflict management since the Cold War

Since 1988 no territorial dispute in East Asia has developed into war. Three major characteristics of conflict prevention and termination can explain the last two decades of conflict management.

Bilateral discussions continue to be the most preferred approach of resolving territorial disputes by major players in East Asia. China's record on resolving border disputes has been diverse since World War II. Once the most territorially disputatious country in East Asia; China was occupied in fierce border wars with India, Vietnam, and the Soviet Union. During the 1950s and 1960s, however, China settled its border issues with various countries including Nepal, Mongolia, Afghanistan, and Pakistan.

The Post-Cold war period witnessed a new wave of China's drive in conflict management of territorial disputes. The purpose was part of China's adjustment of domestic and foreign policy goals: from political purification to economic prosperity and from national survival to regional stability. China has completed bilateral discussions with Russia, Tajikistan, Kazakhstan, Kyrgyzstan, India, Vietnam, and Laos as part of its good-neighbour drive. Roughly speaking, these bilateral negotiations fall into two groupings. The first group is designed to completely demarcating state boundaries in order to put an end to the source of conflict between the two countries. The second group does not take the demarcation of borders as its pressing goal. Instead, it is designed at maintaining the status quo and to stabilize the dispute (Wang 2003).

A different indicator of the ongoing advancement towards a normative contractual order in Asia is the materialization of multilateral confidence building regimes to manage territorial disputes. These regimes do not necessarily involve a formal multilateral organization. Such a multilateral confidence-building regime is not a substitute for bilateral negotiations on territorial disputes. Rather, it is intended to build confidence and reduce tension in the border area in order to make the overall security setting more advantageous to the settlement of territorial disputes. The settlement of disputes is still managed bilaterally, but the confidence-building measures are implemented at the multilateral level. The SCO is a symbol of an interesting experiment with both a bilateral and a multilateral management of territorial disputes - all based on sound political and security relations among the member states (China, Russia, Kazakhstan, Kirgizstan, Uzbekistan, and Tajikistan). In a regime, like the SCO, norms and rules are more essential than power in maintaining regional order (Ibid). China's implementation of a multilateral security organization in its neighbour policy signals a modest departure from its usually bilateral oriented approach concerning conflict management that is deeply embedded in its adherence to the Westphalian order.

The strategic stability of East Asia has long been viewed as a delicate balance. For liberals, stability is a function of economic interdependence, emerging multilateral institutionalism, and the spread of democracy (Ikenberry and Tsuchiyama 2002). Realists focus on the US military presence, which guarantees the security of many countries in the region and prevent destabilizing behaviour from others, thereby, leading to a balance of power (Dibb 1995). Constructivist analysis argue that stability is build on a growing sense of ASEAN identity based on shared norms, values and regimes (Acharya 2003/04).

There are still many territorial disputes among ASEAN member states, which have still not yet been resolved. The two main reasons for the unresolved disputes are historical evolution and colonial history. In terms of conflict intensity, most disputes among the ASEAN member states are of low and mediate intensity (see table 1). The founding of ASEAN in 1967 was the outcome of Southeast Asian countries' search of constructing an association that could provide a framework for managing the many disputes and territorial disagreements among them. The Declaration of ASEAN Concord (DAC) applies only to ASEAN members; the Treaty of Amity and Cooperation (TAC) is, on the contrary, open to non-members and provides detailed guiding principles for conflict management, particularly, with regard to peaceful settlement of disputes.

V China's Security Setting

I will in this chapter analyze China's security setting, by focusing on the regional security order, multilateralism, China's military capacity, and increasing focus on soft power.

The Regional Security Order

ASEAN and ARF are organisations/frameworks with the encouragement of peace and security through preventive diplomacy, dialogue, and confidence building instrument as part of their aim. However, none of them can be understood as a security organisation or a formalised conflict deterrence instrument. ASEAN, even if accepted as a soft security organisation, has a narrow reach since membership is restricted to the Southeast Asian states. ARF is above all a forum for security dialogue and confidence building rather than a security organisation. One of the reasons for this constraint is China's doubt in security collaboration with for example the US and India (Weissmann 2009).

Whether a bilateral territorial dispute in the SCS could overturn the regional security order in Asia depends on several things but three in particular. The first is the status of bilateral relations. Territorial disputes and bilateral relations, taken as a whole, may be mutually strengthening. A dispute may bother bilateral relations, but a close bilateral relationship, not least economically, may compensate the harmful impact of a territorial dispute. One of the policies China applied to offset the negative influence of the Mischief Reef incident in 1995, was, for example, to encourage equally advantageous areas, such as trade and investment, in its dealings with the Philippines. If the bilateral relationship is in a bad shape, however, any small explanation could generate a crisis concerning the dispute. The second element is the construction of major power relations in the region. Many territorial disputes in Asia spiralled during the Cold War because of the superpower controversy. The relative stability of the great power relations in the 1990s has helped to construct a positive framework to manage bilateral territorial disputes. The improvement of China-Russia relations and the solving of various border disputes have been helpful in easing the China-Vietnamese border disputes. The third thing is the importance of the territory's strategic, economic, and symbolic value. States chase territory for both substantial and insubstantial reasons. Because of the strategic and symbolic value of Taiwan and Tibet, China is unlikely to give them up. Other territorial disputes may perhaps give the impression of being irrelevant in terms of substantial value but, nonetheless, have enormous symbolic value for a nation state.

One way to consolidate statehood and avoid social divisions is to support nationalist sentiments, something which both Japan and China used eagerly during their latest quarrel concerning the Diaoyu/Senkaku Island dispute in autumn 2010 (Beukel 2011). Rapid economic growth unavoidably leads to further social division and the collapse of long-established

communities, which can lead to social unrest and possible political change. In much of Asia nationalist attitudes continue to be targeted at the US and Asian neighbours. The nationalism in states that are US allies regularly includes a degree of antipathy against perceived limits on national independence and on cultural identity with fear of losing own culture. This has been the case in South Korea, Japan, and the Philippines in spite of the support for preserving the respective alliances (Yahuda 2008: 352). Nationalist sentiments also make it further complicated to control the growing security dilemmas. This is particularly true of China-Japan relations, where nationalism highlights the problems in reconciling the ambitions of the two great powers to play larger roles in international and regional affairs. Even though domestic politics may be influenced by external sources, they unavoidably reflect their own social and political divisions, and their dynamics are mainly self-generated.

National sovereignty and territorial integrity are still the overriding objectives of national policy of most Asian countries, partly because national sovereignty and territorial integrity symbolize a key source of domestic legitimacy. Domestic politics, therefore, often provoke territorial disputes with other countries and are used to provoke other countries. The way to follow conflict resolution and avoid military conflict over territorial disputes is to separate territorial disputes from other problems such as economic survival, energy needs, and above all the question of national identity.

China and Multilateralism

China has long rejected to deal with issues of Chinese interest in multilateral institutions, such as ARF, and favoured bilateral consultations. For medium and smaller countries, such as ASEAN member states, the establishment of multilateral regional institutions, like the ARF in 1994, was a tool for socializing China to accept multilateralism⁶ in handling security issues in the region involving outside powers such as the US. In fact, while China's policy towards ARF and other Asian multilateral institutions altered from watchfulness and doubt to optimism and sometimes enthusiasm (Cheng-Chwee 2005), China strongly rejects that territorial and sovereignty issues in the SCS as well as the Taiwan question should be internationalized and measured in a multilateral forum. For China, the practice of East Asian security multilateralism has become tolerable, and from time to time the Chinese enthusiastically push for it, but the fondness for multilateralism is constantly restricted by clearly reserving territorial issues for bilateral negotiations with other claimant states. An important thing to mention here is China's focus on multipolarity as preferred to multilateralism.

⁶ Multilateralism is when countries coordinate economic, foreign or defense policies in the international community. In this context multilateralism is between China and a group of countries (ASEAN).

China's approach to multilateralism and its dilemma is where to draw the line in the sand and how to stick to it. This is exemplified by China's actions in relation to the neighbour states' search for a binding code of conduct in the SCS. After more than three years of negotiations, China and the ASEAN member states signed the DOC in 2002. It was the first multilateral agreement signed by China concerning the SCS. On the other hand, the Philippines and Vietnam did push for a more in depth and binding document, but China sturdily discarded that idea – and succeeded. China is focusing on a status quo concerning the SCS, and therefore it is not interested in signing any binding document such as a code of conduct. Moreover, after the signing ceremony China restated that the declaration was not intended to determine territorial disputes in a multilateral context, such conflicts should at all times be determined through bilateral negotiations. This does not imply that the declaration is without any significance. Discussing the issue was a start, not least if it had been followed up with further dialogue and cooperation, but the various claimant states have not moved closer to signing a code of conduct, even though, some ASEAN states have pushed for such a document, since it was first mentioned in 1992 (Weissmann 2009: 139).

The Chinese recognition of multilateralism was crucial for the achievement in the overall negotiation process concerning the SCS. Without these changes, the talks on a regional code of conduct that started in 2000 would have been doubtful, because the discussions benefitted from the trust and confidence that had developed among the parties. Since 2000, China has become a proactive player in multilateral settings (Zha and Hu 2006: 69). In 2003, China was consenting to ASEAN's 1976 TAC. The principle of the treaty is "*...to promote perpetual peace, everlasting amity and cooperation among their peoples which would contribute to their strength, solidarity and closer relationship*" (ASEAN 1976: §1).

The ASEAN-way has functioned as an ideational and normative structure, but it must also be noted that the Chinese interest has also been to learn how to make the most of multilateral frameworks for maximizing China's own interests. The results of the level of cooperation and interdependence, as I will come back to in a later chapter, in Asia have been vital as a driving force for regionalisation and the institutionalisation thereof, but that does not mean that Asian states do not modernize and expand their militaries like most other countries in the world.

Military Power

Global military expenditure in 2008 is estimated to have totalled US\$ 1,464 billion. This represents an increase of 4% in real terms compared to 2007 and of 45% since 1999. Military expenditure involved just about 2.4% of global GDP⁷ in 2008. The ten biggest spenders in 2008 were the same

⁷ SIPRI uses market exchange rates to convert national military expenditure figures into US dollars, as this provides the most easily measurable standard by which international comparisons of military spending can be made. An alternative would be to convert figures using purchasing power parity (PPP) exchange rates (Perlo-Freeman et.al 2009).

as in 2007, although, some rankings have changed. China was in 2008 for the first time the world's second highest military spender.

Military spending has increased across most of Asia. China, India, South Korea, and Taiwan accounted for the vastness of the increase. In 2008 military spending in East Asia totalled US\$ 189 billion dollars indicating a 56% raise since 1999 (Perlo-Freeman et.al 2009: 2). East Asia's military expenditure has increased constantly since 1998 only with 2009 as an exception. The three main contributors to the rapid increase in 2008 were China, South Korea and Taiwan, which enlarged their military spending by US\$ 5.6, 1.7, and 1.7 billion, respectively. In relative terms, China, Taiwan, and Thailand increased the most, by 10, 22 and 17%, respectively (Ibid: 2). China both have a massive share of total East Asian military spending, and with an annual average increase of almost 13% over the past 10 years China is the major contributor to the sub regional increase.

To quote John Mearsheimer (2001: 109), *"the most dangerous states in the international system are continental powers with large armies."* This might be one reason to fear China's authority as the country becomes more of a regional power. But only to some extent China fits Mearsheimer's description. The People's Liberation Army (PLA), which consists of 1.6million personnel, is the largest military in the world, but it does not have an expeditionary potential for years to come. China's unparalleled force on land is to a certain extent not needed to defend China's borders thanks to Chinese diplomats, who in recent years have settled the many border disputes with Vietnam, the various central Asian republics, Russia, and other neighbours. The importance of this change cannot be overstated in relation to China's security.

Table 2: Military Expenditure (1999-2008)
(Perlo-Freeman et.al 2009: 4)

Spending figures are in US\$, at current prices and exchange rates.

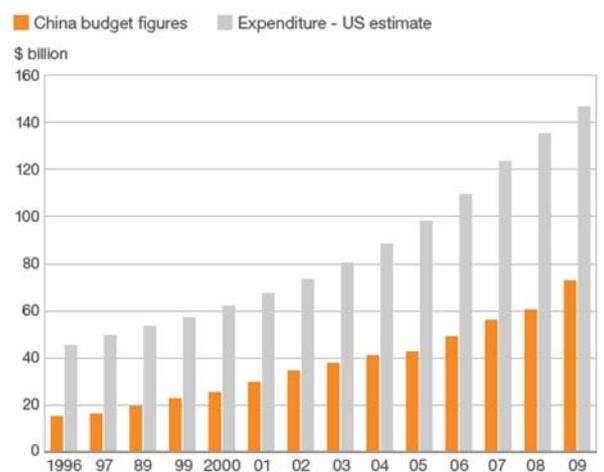
Rank	Country	Spending (\$ b.)	World share (%)	Spending per capita (\$)	Military burden, 2007 (%) ^a	Change, 1999-2008 (%)
1	USA	607	41.5	1 967	4.0	66.5
2	China	[84.9]	[5.8]	[63]	[2.0]	194
3	France	65.7	4.5	1 061	2.3	3.5
4	UK	65.3	4.5	1 070	2.4	20.7
5	Russia	[58.6]	[4.0]	[41.3]	[3.5]	173
Sub-total top 5		882	60			
6	Germany	46.8	3.2	568	1.3	-11.0
7	Japan	46.3	3.2	361	0.9	-1.7
8	Italy	40.6	2.8	689	1.8	0.4
9	Saudi Arabia ^b	38.2	2.6	1 511	9.3	81.5
10	India	30.0	2.1	25	2.5	44.1
Sub-total top 10		1 084	74			
11	South Korea	24.2	1.7	501	2.7	51.5
12	Brazil	23.3	1.6	120	1.5	29.9
13	Canada	19.3	1.3	581	1.2	37.4
14	Spain	19.2	1.3	430	1.2	37.7
15	Australia	18.4	1.3	876	1.9	38.6
Sub-total top 15		1 188	81			
World		1 464	100	217	2.4	44.7

[] = estimated figure.

^a A state's military burden is military spending as a share of gross domestic product (GDP). The figures are for 2007, the most recent year for which GDP data is available.

^b The figures for Saudi Arabia include expenditure for public order and safety and might be slight overestimates.

Figure 1: China's Defence Spending (1996-2009) (BBC 2011d)



Source: Pentagon report on China's military 2010

China's military modernization has been maintained by considerable increases in defence spending, with the PLA receiving double-digit budget increases every year from 1997-2008. The Stockholm International Peace Research Institute (SIPRI) estimates China's military expenditure to have been US\$ 84.9 billion in 2008 (see table 2) - a boost of 10% in real terms since 2007. This enlarged funding has financed higher salaries, expanded training and facilities, upgrading of new systems, and not least the acquiring of advanced arms such as technologies with anti-satellite and network attack systems, submarines, air fighters, and ships for the PLA Navy. China's official military budget in 2008 was US\$ 64 billion, but this leaves out numerous important items, including arms imports⁸ (Office of the Secretary of Defense 2007, and Perlo-Freeman et.al 2009). According to Chinese parliamentary spokesman Li Zhaoxing China's military spending in 2011 will increase by 12.7% to US\$ 91.5 billion up from US\$ 81.1 billion last year (BBC 2011d).

Some of the new military capabilities, China is developing, will drastically enlarge the PLA's ability to project power within the SCS. China is for example deploying tankers and air-refuelling technology that will widen the range of Chinese fighters. The PLA is improving the capabilities of its airborne and amphibious forces able of expeditionary manoeuvres and making efforts to improve its airlift and sealift capability (Office of the Secretary of Defense 2007) such as the recent announcement of China's first aircraft carrier.

China's military modernization program has been happening along with Chinese efforts to reassure its Asian neighbours that a more powerful PLA will not threaten their security. In January 2009 China published its 2008 Defence White Paper, the most detailed since the first was published in 1995. The White Paper does not examine arms acquisitions, although China is continuing to acquire both domestic and foreign arms, as it seeks to equip its armed forces for conditions of modern warfare (Perlo-Freeman et.al 2009). It must also be stated that China's military growth rates follows its economic growth rates, and that China's military is very old fashioned, and therefore, there is a long way for China to modernize its military. China is of no military competition for the US, however, there may perhaps come a day when it is.

Within the last decade China has acquired 12 Russian kilo-class submarines and built by itself two types of new nuclear-powered submarines – the Jin-class, which can bring ballistic missiles; and the Shan-class attack submarines (Sud 2009). China has announced that it wants to build at least five Jin-class submarines, so it, like the US, can have an almost permanent presence at sea (Goodenough 2009). China has recently built a submarine base at Hainan with 11 submerged tunnel openings to contain its new submarines (Valencia 2009).

⁸ The actual level of China's military spending is a matter of considerable debate, with Western researchers putting the figure at 40–70% higher than the military budget, and some Western intelligence analysts suggesting a figure 2–3 times higher than the budget (see figure 1).

China is set to rapidly expand its maritime surveillance forces. More than 1000 recruits are estimated to join the China Marine Surveillance (CMS) by the end of 2011. According to Sun Shuxian, Deputy Director of the CMS, the next five years another 36 inspection ships are to join the existing surveillance fleet of about 300 marine surveillance ships and 10 planes to monitor marine affairs (Wang 2011), which is a climb from 91 patrol boats at the end of 2005 (Baviera 2011). The prospect of a great Chinese attendance, behaving in disputed waters as though they were universally accepted authorities implementing Chinese law in its “indisputable” territory, is not something the other claimant states are likely to warm up to. The question is, if ships, persons and properties of neighbouring states and foreign companies engaged in resource exploration can be targets of intimidation, as seen with the recent incident, where a Chinese fishing boat rammed cables from an oil exploration vessel inside Vietnam’s Exclusive Economic Zone⁹ (EEZ) (BBC 2011c).

Soft Power

Studies of power are one of the classical subjects in international relations. One useful distinction, introduced by Joseph S. Nye (1990: 29f.), is between hard power (military and economic might) and soft power (the ability to get what you want through attraction rather than through coercion or payments). While hard power are based on tangible power (material resources) soft power are based on intangible resources (culture, values, ideology, and institutions).

Soft power has become a buzzword in Chinese foreign policy circles within the last decade (Leonhard 2008). President Hu Jintao stated at the Central Foreign Affairs Leadership Group meeting on January 4, 2006: *“The increase in our nation’s international status and influence will have to be demonstrated in hard power such as the economy, science and technology, and defence, as well as in soft power such as culture”* (quoted from Mingjiang 2008: 289).

Concerning China’s soft power the amounts of tourists and students travelling between China and other Asian states have increased considerably within the last decade. Chinese tourists have travelled in huge numbers to Asia with about four million visiting other East Asian countries in 2004 (CLSA 2005). These numbers have continued to increase since 2004 (see table 3).

Educational relations between China and Asia have also enlarged significantly. China sent about 90.000 students to different states in East Asian in 2005 and hosted more than 100.000 East Asian students in 2006 with most students coming from South Korea and Japan (Saunders 2008). According to China’s Ministry of Education the number of foreign students in China reached more than 230,000 in 2009, the highest number ever, and about 68% of all the foreign students were from Asia (Xinhua 2010). The Chinese government has furthermore supported the establishment of

⁹ For more information on EEZ read the chapter on The Law of the Sea and UNCLOS

Confucius Institutes all over the world to teach Chinese language and promote Chinese culture. By the end of 2010, 322 Confucius Institutes and 369 Confucius Classrooms have been established in 96 countries (CIO 2011). Similarly, the Chinese government supports Chinese scholars and experts to take part in academic and unofficial track two policy conferences within Asia.

There has furthermore been a huge focus on the significant ethnic Chinese minorities in Southeast Asian countries such as Malaysia and Indonesia. Both countries previously viewed their ethnic Chinese populations with distrust, but today they are seen as an advantage in constructing economic relations with China (Saunders 2008: 138).

The most common argument concerning soft power is that it ought to be a characteristic of a country's different aspects of power. President Hu Jintao has, at a meeting with Chinese diplomatic representatives, said:

“...that to better serve Chinese interests during this ‘important period of strategic opportunity’, China needs to strive to ensure four ‘environments’: a peaceful and stable international environment; a neighbourly and friendly environment in surrounding regions; a cooperative environment based on equality and mutual benefits; and an objective and friendly media environment” (quoted from Mingjiang 2008: 300).

Soft power is for China, first and primarily, planned to profile a better awareness of China by the outside world. Its main focus is to disprove the China threat argument, create an understanding of China's domestic socioeconomic reality, and persuade the outside world to acknowledge and support China's rise (Ibid). According to Yanzhong Huang and Sheng Ding (2006: 22) “*Soft power remains Beijing's underbelly and China still has a long way to go to become a true global leader*”.

Table 3: Tourist Arrivals in ASEAN by Selected Partner Country/Region (ASEAN 2010)

Country of origin/ partner country	Number of tourist arrivals					Share to total					Year-on-year change
	thousands					percent					percent
	2005	2006	2007	2008	2009 ^{2/}	2005	2006	2007	2008	2009 ^{2/}	2007-2008
ASEAN	23,254.3	25,396.6	27,341.3	30,276.4	30,851.7	45.3	44.6	43.9	46.1	47.1	10.7
Japan	3,650.4	3,367.7	3,701.4	3,623.8	2,826.2	7.1	5.9	5.9	5.5	4.3	-2.1
China	3,007.0	3,335.3	3,926.4	4,471.5	3,991.9	5.9	5.9	6.3	6.8	6.1	13.9
Republic of Korea	2,645.3	3,353.5	3,538.7	2,657.1	1,908.1	5.2	5.9	5.7	4.1	2.9	-24.9
Australia	2,033.6	2,062.6	2,434.6	2,904.5	2,823.5	4.0	3.6	3.9	4.4	4.3	19.3
New Zealand	244.7	354.1	300.7	319.7	263.7	0.5	0.6	0.5	0.5	0.4	6.3
European Union-25	5,524.9	5,408.0	6,566.0	6,936.0	6,606.2	10.8	9.5	10.5	10.6	10.1	5.6
USA	2,306.4	2,489.9	2,537.3	2,653.3	1,951.9	4.5	4.4	4.1	4.0	3.0	4.6
Canada	439.7	497.5	543.8	508.9	361.8	0.9	0.9	0.9	0.8	0.6	-6.4
India	1,240.3	1,469.6	1,813.7	1,984.7	2,041.7	2.4	2.6	2.9	3.0	3.1	9.4
Pakistan	91.4	102.1	118.4	150.5	156.4	0.2	0.2	0.2	0.2	0.2	27.2
Total selected partner countries/regions	44,438.0	47,836.9	52,822.3	56,486.5	53,783.4	86.6	84.1	84.8	86.1	82.2	6.9
Rest of the world	6,849.6	9,077.6	9,462.5	9,119.0	11,654.2	13.4	15.9	15.2	13.9	17.8	-3.6
Total tourist arrivals in ASEAN	51,287.6	56,914.5	62,284.8	65,605.5	65,437.6	100.0	100.0	100.0	100.0	100.0	5.3

Source: ASEAN Tourism Statistics Database (compiled from data submissions, publications/reports, and/or websites of national tourism organizations/agencies, immigration authorities, and/or national statistical offices)

Symbols used

- not available as of publication time
 n.a. not applicable/not available/not compiled
 Data in italics are the latest updated/revised figures from previous posting.

Notes

Details may not add up to totals due to rounding off errors.
 1/ Before 2008, data excludes Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovakia, Slovenia due to lack of details on these countries.
 2/ Preliminary as of 15 June 2010 and no breakdown by country of origin for Philippines

It appears that China's current leadership pays attention to Deng Xiaoping's advice for managing China's foreign relations, put forward in the aftermath of the 1989 Tiananmen crackdown when China was facing a dire international environment. Deng's statement has been translated from his *Selected Works* as roughly meaning: "*calmly observe the situations; secure our footing; cope changes with confidence; conceal capacities and bide our time; skillfully keep a low profile; avoid sticking one's head out; be proactive*" (Yong 2008: 41-42). Within that general policy context, China has transformed its preferences and strategies in the direction of a greater confidence on multilateral approaches and soft power, as a way to increase its influence in the region (Hughes 2006). But when it comes to China's specific neighbourhood policy in the SCS, the conclusion is more complex than a greater dependence on multilateral approaches and on soft power, as a way to increase its influence in the region. China has shown its willingness to use military power, which the increasing assertiveness in the SCS also indicates. China's preference for bilateral discussions is also a way for China to use economic means as a carrot in its dealings with other claimant states.

China-ASEAN Relations

The turning point for the China-ASEAN relationship can be traced to the Tiananmen incident in 1989. After the incident, to quote David Shambaugh (2004/05: 68), "*...the ASEAN states led a diplomatic campaign to engage rather than isolate China.... ASEAN's desire to engage China at this critical time left an impression on the leadership in Beijing. While the rest of the world was doing its best to isolate China, ASEAN chose to reach out to Beijing.*"

The ASEAN states did also change its behaviour towards China. China's foreign minister was, for the first time, invited to the ASEAN ministerial meeting in 1991, and the year after China became a dialogue partner of the ASEAN. At this point China was both new and unenthusiastic to take part in multilateral frameworks. For example, China's participation in the 1994 ARF meeting was more of a way to avoid that ARF was to be used in a negative way, for China, rather than an actual interest in participating (Weissmann 2009: 138). During the same period, only limited progress was made concerning the SCS, which continued to be observed as the next Asian flashpoint. The SCS was in a deadlock at a high conflict intensity level, and there was no mutual trust and confidence. Rather, the various claimants did their best to secure their claims. The negative developments continued, until they peaked during the Mischief Reef conflict in 1995. Indeed, after the incident, the ASEAN members were successful in taking a common stance in their dealings with China, thereby forcing China to deal with the ASEAN members in a multilateral way instead of China's preferred bilateral way.

The developments since 1995 must be understood in light of China's actions after the 1997 Asian Financial Crisis. This was indeed the beginning of a process that, later on, made the 2002 DOC

possible. The Asian financial crisis was, in a sense, the beginning of ASEAN's acceptance of China's rise. This was, on the one hand, an acceptance of reality; it is better to join China, who, at the time, was to become the region's biggest economy. On the other hand, it was also the result of the disillusionment, of how the rest of the world reacted to the Asian Financial Crisis (Ibid: 139). The crisis increased the formalised cooperation within a number of sectors, led by cooperation in the financial sector including the "Chiang Mai Initiative"¹⁰ on financial swaps.

The mutual perceptions and the interpretation of each other's interests have over the last two decades transformed the way Asian states cooperate - the states share certain interests, and they all benefit from cooperation. Of particular importance is that the Chinese, over time, have been convinced to successfully employ in multilateralism, and that the peaceful relations between China and ASEAN have been institutionalised in a non-binding way.

In sum, the developments towards a durable peace in the SCS have taken place in parallel with the progression of the overall China-ASEAN relations and the East Asian regionalisation process. The relative significance of the disputes in the SCS has thus lessened, and conflict prevention was the preferred pathway from 2002 to 2009. The importance of the SCS has been minimized during this period, and the mutual interest of ensuring a peaceful outcome was emphasised again and again. The regional integration and interdependence have also created an incentive for avoiding confrontation.

The China-ASEAN reconciliation that has taken place since the early 1990s has been a main part of the progress in China-ASEAN relations and in the peace building efforts leading to the 2002 DOC. David Shambaugh (2004/05) argued that a new East Asian regional order had been built around China's engagement with ASEAN. Until the early 1990s, China did not have diplomatic relations with all regional states. ASEAN was perceived as an ally of the US, and therefore, a potential risk to Chinese security. Conversely, China was perceived as a risk to the states within ASEAN; the China threat perception caused the ASEAN members to build-up their militaries, and much effort was made to keep the US engaged in the region.

Economic Power

Beneath the developments in regional cooperation lie a major practice of economic integration and interdependence in East Asia. The drive for economic growth and prosperity has both been a widespread policy ambition across East Asia and a motivating force in the regionalisation process. Central for this take off was the start of APEC in 1989 and the agreement in 1992 to work for an ASEAN Free Trade Area (AFTA).

¹⁰ The Chiang Mai Initiative is a multilateral currency swap arrangement among the ASEAN+3. It draws from a foreign exchange reserves pool worth US\$ 120 billion and was launched in 2010. The initiative began as a series of bilateral swap arrangements After 1997 Asian Financial Crisis; member countries started this initiative to manage regional short-term liquidity problems and to facilitate the work of other international financial arrangements and organizations like the International Monetary Fund.

In recent years, there has been a substantial increase in China's trade with its Asian neighbours, and the total trade level for China-ASEAN is significant. ASEAN trade with China was US\$ 20 billion in 1998 but had increased more than nine fold since then reaching US\$ 178 billion in 2009 (see table 4). While the share of US, EU27, and Japan trade with ASEAN declined from 1998, the share of China's trade with ASEAN increased from 3.5% in 1998 to 11.6% in 2009 (see table 5).

Intra-ASEAN trade expanded to US\$ 470 billion in 2008 from 121 billion in 1998 - it decreased to US\$ 376 billion in 2009 due to the global financial crisis (see table 4). The share of intra-ASEAN trade increased from 21% in 1998 to 24.5% in 2009 (see table 5). Even as late as 2003, the total China-ASEAN trade volume was only US\$ 59.6 billion or 7.2% of ASEAN's total trade (see table 4 and 5). Between 2003 and 2008 the average annual growth of China-ASEAN trade has been 26.41% (ASEAN 2009: 78-79). The economic integration and interdependence will most likely continue to increase, not least, because of the 2001 framework agreement between China and ASEAN, which came into existence in January 2010 with the ASEAN-China Free Trade Area (ACFTA).

When combining the whole ASEAN+3 area, there are a concentration of trade by 2006 with 44.4% of total imports being intraregional - an increase from 30.6% in 1990 and 39.9% in 1995 (see table 6). The share of intra ASEAN+3 imports was in 2006 as high as 42-94% for ASEAN members, and about 40% for the other three states. The share of total exports is lower, and in 2006 the intraregional share of total exports was 34% (see table 6). Among the ASEAN members the share was, with the exception of Cambodia, ranging from 37.3% - 73%; while it was 21.2% of China's total exports; 33.9% of Japan's; and 39.2% of South Korea's (see table 6).

In terms of total trade, ASEAN's trade with Japan, South Korea, and China reached US\$ 480.2 billion in 2008 (28.2% of ASEAN's total trade), to be compared with US\$ 154.5 in 1996 (25.1% of ASEAN's total trade). China's part of ASEAN's trade with the plus three states has increased over time from 8.6% in 1996 to 40.1% in 2008 (ASEAN 2009: 78-79). Economic integration and

Table 4: ASEAN Trade Value by Selected Trade Partner Countries (ASEAN 2011:14)

Country	1998	2000	2003	2007	2008	2009
ASEAN	120,918	166,846	206,732	401,920	470,112	376,207
China	20,414	32,316	59,637	171,118	196,884	178,185
EU27	83,640	102,767	101,663	187,572	208,291	171,786
Japan	81,410	116,191	113,401	173,062	214,400	160,864
USA	115,562	122,218	117,886	179,068	186,243	149,572
Republic of Korea	17,080	29,635	33,548	61,184	78,251	74,740
Australia	12,822	17,589	19,197	41,963	52,593	43,850
India	6,968	9,656	12,512	37,235	48,803	39,116
Canada	4,081	4,833	4,612	9,499	10,737	9,040
Russia	1,035	1,375	2,397	5,398	9,794	6,765
New Zealand	1,621	2,248	2,621	5,795	7,837	5,376
Pakistan	1,521	3,493	1,902	4,125	4,922	4,303
Rest of the World	109,033	149,934	148,411	332,848	408,260	317,038
Total	576,108	759,101	824,539	1,610,787	1,897,127	1,536,843

Table 5: ASEAN Trade with Selected Trade Partner Countries (ASEAN 2011:15)

Country	1998	2000	2003	2007	2008	2009
ASEAN	21.0	22.0	25.1	25.0	24.8	24.5
China	3.5	4.3	7.2	10.6	10.4	11.6
EU27	14.5	13.5	12.3	11.6	11.0	11.2
Japan	14.1	15.3	13.8	10.7	11.3	10.5
USA	20.1	16.1	14.3	11.1	9.8	9.7
Republic of Korea	3.0	3.9	4.1	3.8	4.1	4.9
Australia	2.2	2.3	2.3	2.6	2.8	2.9
India	1.2	1.3	1.5	2.3	2.6	2.5
Canada	0.7	0.6	0.6	0.6	0.6	0.6
Russia	0.2	0.2	0.3	0.3	0.5	0.4
New Zealand	0.3	0.3	0.3	0.4	0.4	0.3
Pakistan	0.3	0.5	0.2	0.3	0.3	0.3
Rest of the World	18.9	19.8	18.0	20.7	21.5	20.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

interdependence have both short term conflict prevention potentials and longer term peace building possibilities. In the short term, it raises the cost of military conflict, which has been a vital encouragement for the claimant states to avoid confrontations or conflict escalation over interdependence the problems in the SCS have become less central on the agenda, at least until the oil prices started to explode.

China's rapid economic growth and the growing economic ties with Asian states are the most significant reasons for China's growing authority in Asia. One vital pattern in China's trade relations is that other Southeast Asian states are becoming increasingly dependent on exports to China. ASEAN exports to China have grown within the last decade, but the China market is still only the third most important export market for ASEAN products. These changes in dependence on the China market are both a sign of the shift of export production from other Southeast Asian economies to tap inexpensive Chinese labour and of course the Chinese domestic market's taste for imports from Asia. The trade dependence is most likely to be used by Chinese leaders to generate considerable political influence, as states that benefit from the trade will protect their economic interests.

China has also come forward as a considerable source of foreign direct investment (FDI) in Asia, which is the main target for Chinese FDI, even though, still on a very small scale. China does not

Table 6: Intraregional Trade (ESCAP 2008: 159)

	% of total imports or exports								
	1990	1995	2000	2001	2002	2003	2004	2005	2006
Imports from ASEAN									
Brunei Darussalam	43.4	59.6	57.4	51.6	39.4	47.4	60.4	63.7	47.7
Cambodia	42.7	74.7	39.1	38.9	35.9	36.5	34.0	50.9	53.2
Indonesia	2.3	3.9	8.0	7.5	8.5	23.9	23.2	27.6	31.2
Lao PDR	61.0	70.0	70.3	78.1	77.2	73.8	71.0	78.3	79.1
Malaysia	18.5	17.3	24.2	22.8	23.1	24.3	24.0	24.7	24.5
Myanmar	46.3	51.5	45.5	43.1	43.3	44.3	48.0	51.3	47.1
Philippines	13.4	11.6	15.9	15.6	15.9	16.9	18.9	18.8	19.8
Singapore	19.5	24.5	29.3	29.5	30.7	29.0	27.1	25.9	26.0
Thailand	11.5	12.2	15.5	15.0	15.5	15.5	15.1	16.6	16.4
Viet Nam	10.0	31.4	27.8	25.3	23.8	23.2	24.0	24.5	27.1
ASEAN	16.6	19.0	23.2	22.3	22.8	23.9	23.5	24.2	24.8
Exports to ASEAN									
Brunei Darussalam	13.0	20.4	21.2	22.1	22.5	20.2	17.5	25.5	24.8
Cambodia	77.6	66.1	5.3	4.8	4.8	4.8	3.0	9.3	8.4
Indonesia	1.7	5.0	6.8	7.2	8.3	18.0	20.0	18.6	18.5
Lao PDR	75.4	30.7	51.3	48.1	46.8	45.9	43.2	55.8	66.3
Malaysia	27.4	26.5	26.0	24.9	25.6	24.7	25.3	26.2	25.9
Myanmar	47.0	42.3	23.1	35.4	39.7	39.0	49.1	55.7	56.1
Philippines	7.0	12.8	15.7	15.5	15.7	18.2	17.2	17.3	17.2
Singapore	22.1	28.6	29.4	29.2	30.0	32.0	30.9	30.7	30.5
Thailand	10.5	19.0	19.1	19.7	20.2	20.8	21.8	20.8	19.6
Viet Nam	16.2	14.2	17.5	16.5	14.1	14.3	15.0	15.7	13.9
ASEAN	18.4	22.7	22.2	21.9	22.5	24.8	25.4	25.4	24.8
Imports from ASEAN+3									
China	38.5	37.5	39.8	38.0	40.4	42.4	41.9	41.6	41.0
Japan	16.0	29.3	35.1	37.0	38.2	39.6	39.9	39.3	38.9
Republic of Korea	33.1	36.9	38.8	39.5	42.0	42.9	43.4	43.0	42.1
Brunei Darussalam	49.1	65.7	63.5	62.9	59.0	64.6	73.0	78.1	70.0
Cambodia	59.6	84.4	56.6	58.2	57.3	58.1	59.5	70.4	72.5
Indonesia	31.2	36.4	36.6	35.9	35.8	50.9	51.5	54.8	56.0
Lao PDR	78.9	83.3	79.0	89.3	89.2	90.4	83.7	90.3	93.5
Malaysia	45.2	51.2	53.9	51.5	54.3	55.9	55.2	56.0	55.6
Myanmar	68.3	86.2	81.2	80.5	80.3	86.0	87.0	87.1	87.9
Philippines	42.3	41.1	44.9	45.0	46.1	47.3	48.7	47.1	47.3
Singapore	42.6	53.3	55.4	52.9	54.5	52.0	51.5	50.0	50.2
Thailand	46.2	49.2	49.5	47.2	50.6	52.0	51.7	51.8	51.4
Viet Nam	44.3	63.4	62.6	60.3	59.0	57.9	60.0	61.5	62.7
ASEAN+3	30.6	39.9	42.2	41.8	43.7	44.9	45.0	44.8	44.4
Exports to ASEAN+3									
China	33.7	29.7	28.0	28.3	26.7	25.0	24.1	22.7	21.2
Japan	16.6	29.3	27.0	27.4	29.8	32.5	33.8	34.0	33.9
Republic of Korea	26.5	34.2	34.1	33.8	35.2	37.4	37.5	39.7	39.2
Brunei Darussalam	77.9	87.7	81.6	84.1	80.9	79.0	75.7	78.8	72.8
Cambodia	86.9	70.0	7.9	6.9	6.3	6.2	5.2	13.5	12.4
Indonesia	49.6	42.3	41.4	40.9	41.7	53.6	48.4	55.7	56.0
Lao PDR	83.3	44.5	56.6	52.6	51.7	51.0	48.2	61.7	73.6
Malaysia	47.9	44.6	45.5	45.9	45.6	44.7	45.7	45.6	45.6
Myanmar	56.7	61.0	36.4	45.3	50.3	51.0	62.1	69.9	68.9
Philippines	34.0	32.4	35.2	36.9	38.4	43.6	46.8	48.0	46.7
Singapore	33.1	41.5	44.5	45.1	46.8	48.1	48.2	48.3	48.9
Thailand	29.4	40.1	39.7	41.3	42.1	44.1	45.1	44.8	43.4
Viet Nam	68.5	53.2	48.4	45.4	40.6	40.6	41.6	41.2	37.3
ASEAN+3	29.0	34.3	33.4	33.7	34.2	35.4	35.2	35.1	34.0

publish a detailed list of its foreign aid programs, but the poorer states in Southeast Asia and Central Asia are major receivers of Chinese development aid. Much of this aid goes to developing transportation infrastructure linking Southeast Asian and Central Asian states with China. This infrastructure contributes to these states' economic development, but it also links them more closely to the Chinese economy and will, therefore, likely generate greater trade dependence in the future (Garver 2006).

China's role as a production site in regional production networks serves as an essential connection between producers of capital goods and production inputs from all over Southeast Asia to developed country markets in the US and Europe. This links together the economic interests of Asian companies and states in a positive-sum manner (Saunders 2008: 135). For longer term peace building, economic integration and interdependence have been essential in supporting conditions contributing to peace both by itself and through spill over effects.

China's Asia Strategy

After a long period of very little influence in Asia, China is now a dynamic and significant regional player. Substantial economic reforms and China's successive integration into worldwide and not least regional production networks have formed three decades of rapid economic growth that have significantly improved China's national power. China's regional security strategy; its behaviour after the 1997 Asian financial crisis; and a variety of diplomatic, military, and economic guarantees have had a major impact in moderating Asian anxieties regarding a powerful China. Recent studies validate that Asian views regarding China have generally shifted from regarding China as a threat to regarding China as a way to prosper economically, although, Japan is an exception to this tendency (Goh and Simon 2008). Nevertheless, the shift from the anti China opinion widespread in Asia a decade ago is a sign of the achievements of China's Asia policy. As Robert Sutter has emphasized, it is not easy to measure the quantity, to which Chinese influence in Asia has increased in reality, because China has not requested or forced Asian states to take expensive measures that are in opposition to their interests (Sutter 2005: 9-10).

Asia is the world's most essential region to China in economic, security, and political terms. It is the main focus for Chinese exports and imports. Asia functions as a source of raw materials; the provider of components, technology, and management expertise for global production networks working in China; and increasingly as a market for completed Chinese products. Asian FDI has played an essential role in stimulating China's economic boom. Much of China's economic achievements can be ascribed to the function of multinational companies that import components from Asia, use Chinese workers to assemble the products, and export the completed products to the European, US, and other markets. Roughly, 60% of Chinese exports were in 2006 created by foreign invested enterprises mainly based in Asia (Barboza 2006).

China's dilemma is to come across a manner to reconcile the rest of Asia to a leading regional role without provoking the US or destabilizing the whole region. This mission is complex because of China's "core interest" in uniting Taiwan with mainland China and avoiding Taiwan declaring independence. Chinese leaders have classified and continue to classify Taiwan as an internal affair that has no consequence to China's regional or international behaviour, but most states in Asia (and the US) would be exceedingly worried if China used military power to persuade Taiwan (Saunders 2008: 131). China's military arrangements and military advancements focused on Taiwan continue to worry Asian states of Chinese intentions; no matter China's variety of diplomatic, military, and economic guarantees to reassure the region that China will be responsible, in how it uses its growing military power.

China's move towards power has changed noticeably since 1990. The ASEAN approach after Tiananmen in 1989 and the Asian financial crises in 1997 certainly have assisted this change. In the assistance to the financially hit countries in Asia, China displayed its soft power statecraft. As there was disillusionment in the entire region with the US and Japanese reactions to the crisis, China assisted the Southeast Asian states by not devaluing its yuan, thereby avoiding competitive depreciations of the region's currencies. Before 1997 the general image of China as either aloof or hegemonic began to be changed by an image of China as a responsible power (Shambaugh 2004/05: 68).

China's soft power statecraft has since become a central part of its foreign policy in relation to Southeast Asian countries. At the same time, the significance of China's hard power is often mentioned as well by Chinese officials and leaders. The Chinese Ministry of Foreign Affairs repeats its support to mutual respect of sovereignty and territorial integrity, the peaceful resolutions of conflicts, mutual non-interference in internal affairs, and good neighbourly relations of friendship with the surrounding countries – all approaches that fit in well with the "ASEAN way". In 2006, Chinese President Hu Jintao stated that the increase in China's status and power would have to be demonstrated in hard power as well as in soft power, and he later declared how to improve China's soft power through cultural development. Since 1997 the Chinese government has pronounced a new security concept that stresses the development of mutual trust, cooperation, consultation, and coordination between states; in contrast to military alliances (Shambaugh 2002: 292-93).

The above events are some of the reasons, why many countries in Southeast Asia have changed their short term fear of China as a dominating power and have been more willing to accommodate China as a good neighbour and a beneficial partner. In the short-to-medium term, they are confident that a more powerful China will be a force for peace, stability and prosperity in the region, but in the long-term the impact of China's special mixture of soft power and hard power

as a means for foreign policy influence remains to be seen, and therefore, Southeast Asian states use the US and in a minor degree India and Japan as a balance against Chinese dominance.

Concerning Chinese interests in the SCS military power plays a major role in China's strategy. The hard power element is not necessarily an actual use of military force to frighten other claimant states from their occupations. Instead they further strengthen bases with electronic communication networks, structures for intelligence gathering, smaller airports, harbours, and naval supply structures on a number of strategically placed offshore islands. Furthermore, China has announced that its first aircraft carrier is under construction. China is forcing a naval strategy of exerting regional maritime control step by step. As the PLA Navy continues to modernize and expand its fleet, it will likely increase the number of patrols in the SCS, and its presence in disputed waters. There are still obvious shortcomings for an effective control of all Chinese maritime claims, but China seems to be pursuing a long-term strategy that will gradually allow it to overcome the shortcomings (Fravel 2008: 316) by using military power to frighten and economic leverage to attract, for China to get what it wants in a future dialogue and a future code of conduct concerning the SCS.

While writing my master thesis (first half of 2011) new controversies emphasize the apparently difficult nature of the SCS disputes and question the de-escalation of the disputes, in particular, between China, the Philippines, and Vietnam. In late 2007, China declared it had created a new city in Hainan province to administer the Paracel Islands, the Spratly Islands, and other Chinese claims in the SCS as a separate district (Elleman 2009). It all led to anti-China student demonstrations accusing China of hegemonic ambitions - an aspect of China's neighbours dilemma on how to accommodate a rising China, steer clear of confrontation, and maintain political autonomy (Storey 2008).

China's successful addressing of its neighbours' fears is most evident as to the Philippines. Since 2000, the two states have signed a number of joint statements and agreements that contain concessions to the Philippines. One reason for the agreements could be Chinese fear that Southeast Asian states might side with the US against China in a future crisis. The good relationship between China and the Philippines have experienced a renewed rivalry in later years, particularly on joint exploration projects in disputed waters and the adoption of the Philippine Baselines Bill (PBB) that assign territorial claims in the SCS which China contests (Storey 2009).

VI China and the South China Sea

China, with its 9,000-mile coastline, is both a land power and a sea power. It has established its land borders and has started to focus outward by constructing beneficial power relations, both in the region and on different continents rich in the resources China needs to stimulate its growth. China aspires to build a robust partnership throughout the parts of the Middle East, Africa, and South America that are rich in oil and minerals. It, furthermore, wishes to secure port access throughout the Indian Ocean and the SCS. What forces China outward has to do with a core national concern: economic survival and domestic stability; and simply by its desire to protect domestic economic requirements, China is changing the balance of power in Southeast Asia.

The Geographical and Geostrategic Position of the South China Sea

Given the significance of the SCS, all Asian states have a common interest in maintaining the area's maritime security order.¹¹ Unfortunately, island ownership disputes, boundary controversies, and problems concerning sea lines of communication (SLOC) generate hostility in the region.

The region is subject to opposite claims of sovereignty by the various states: China, Taiwan, the Philippines, Malaysia, Brunei, Indonesia, Singapore, and Vietnam – countries that are very diverse concerning land size, population, per capita income, and political systems. Due to the quantity of claimants, the complexity of the claims, and the different interests involved, the SCS has been called the “*mother of all territorial disputes*” (Baviera 2004: 505). Confrontation rather than collaboration characterizes the maritime history, and the disputes work as a main aggravation in bilateral and multilateral relations in the region. In the post Cold War era it is often held to be one of the most explosive hot spots and a likely trigger for inter-state war (Emmers 2010: 241). The SCS is a semi-enclosed sea covering an area of approximately 3,500,000 square kilometres, and it stretches from Singapore and the Strait of Malacca in the southwest to the Taiwan Strait in the northeast. The area consists of more than 200 small islets, rocks, and reefs; many which are partially under water. The major islet groupings and core areas of dispute are the Spratly and Paracel Islands; but also Pratas, Natuna Islands, and Macclesfield Bank groups as well as the Gulf of Tonkin¹² are hot spots.

The Spratly Islands include some 750 barren islets, rock formations, and outcroppings spread over more than 425,000 square kilometres with a sum land area of less than five square kilometres. The islands are claimed by China, Taiwan, and Vietnam; while the Philippines, Malaysia, and Brunei claim just certain parts of the Spratly Islands. As to concrete country control, the pattern is very complex with no clear geographical carving-up and doubts as to the trustworthiness of the different

¹¹ Security order is defined as a formal or informal arrangement that sustain rule-governed interaction among sovereign states in their pursuit of individual and collective goals.

¹² China and Vietnam have signed an agreement settling their disputes over maritime boundaries in the Gulf of Tonkin, though the agreement has not yet been ratified.

Figure 2: Map of the South China Sea (Beukel 2010:10)

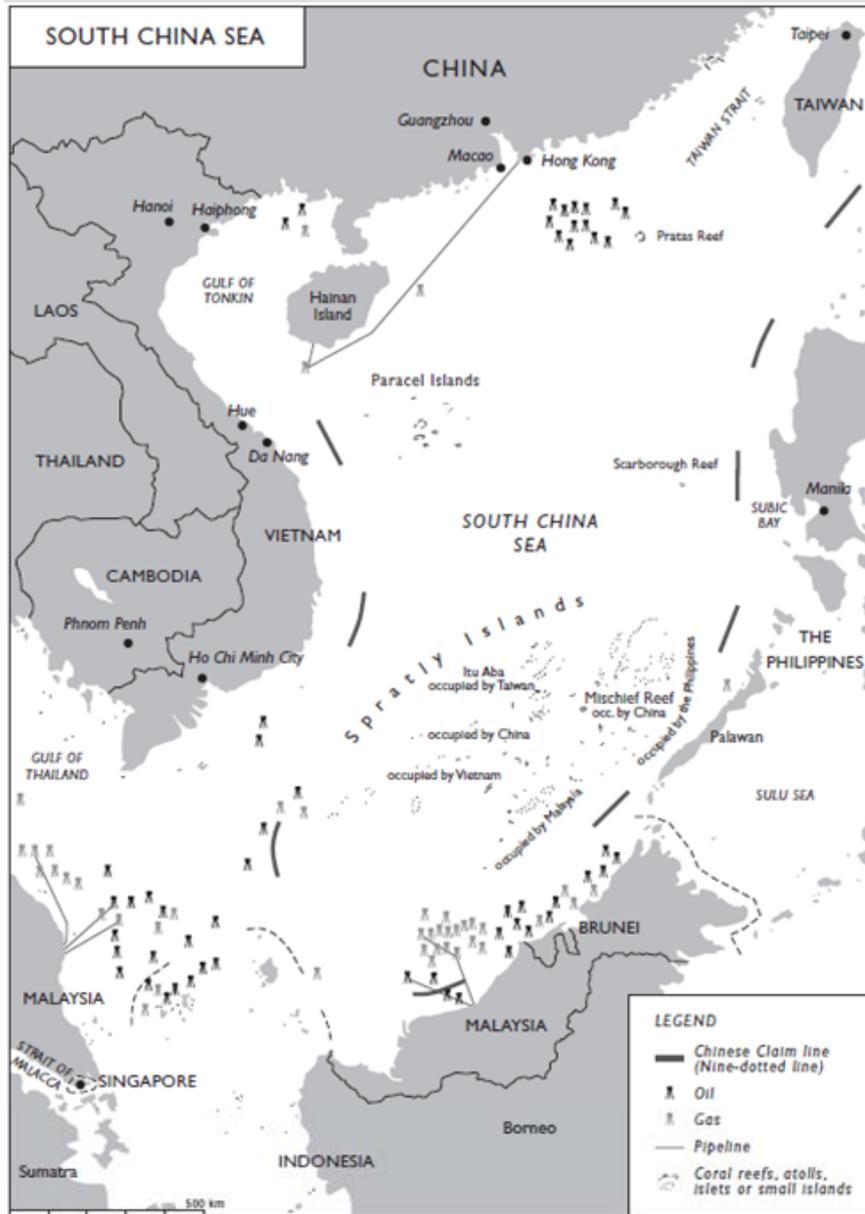


Table 7: Claims Made in the South China Sea (Weissmann 2009: 123)

State	South China Sea	Spratly Islands	Paracel Islands
China	All*	The entire archipelago, based on historical rights.	All
Taiwan	All*	The entire archipelago, based on historical rights.	All
Vietnam	All*	The entire archipelago, based on historical rights.	All
Malaysia	UNCLOS	Several islands west of Borneo, based on its exclusive economic zone in accordance with the law of the sea.	No
The Philippines	Significant portions	A concentration of islands in the western part of the archipelago, based on explorations made in the mid-1950s.	No
Indonesia	UNCLOS	None	No
Brunei	UNCLOS	Not an official claimant but claims the exclusive economic right of Louisa Reef, based on the law of the sea.	No
* Excluding buffer zone along littoral states (calculations for buffer unknown)			

claims. However, it appears that of the about 60 islands and other features presently occupied Vietnam controls 22, China 14, the Philippines 11, and Malaysia 10. Taiwan controls one, Itu Aba, which is the largest island (1.4 km. in length and 0.4 km. in width) (CIA 2007: 583).

The Paracel Islands covers a minor area and consist of some 31 small islands. Despite their tininess, these groups of scattered islets have become a regional hotspot and the central point for territorial disputes between mainly China, Taiwan, and Vietnam; and to a minor degree Malaysia and the Philippines. Currently, China controls the whole Paracel archipelago (Schofield 2009). For the extent of the disputes see table 7.

As the conflicting claims concern territorial sovereignty, the SCS has vital internal dimensions such as national prestige and identity. A particular reason for the competing claims is the economic significance of the SCS, which is believed to be rich in oil, gas, and sea-based minerals (Rosenberg 2009). Moreover, the area is one of the richest fishing grounds in the world (Zou 2009). The significance of access to fishing waters has grown for the countries to meet the likely increase in food demands. In China where fish likely will become more important in the future given China's present mixture of fish consumption and shortage of agricultural land. There are obvious potentials for joint development and joint managing regimes to make the most of the resources, but the many overlapping maritime claims to sovereignty create barriers. Furthermore, there is a shortage of consensus among the various claimants vis-à-vis the historical aspects of the disagreement. Indeed, the claimants refer to their own historical doctrines as a justification for their own claims.

The SCS's geographical and geostrategic location generates a security dilemma for practically all powers in East Asia and the wider Asia-Pacific region. Moreover, the dilemma was further inflated by the reduction of the US military attendance in Southeast Asia in the early 1990s, at a point when China was expected to become a dominant power in the region.

Figure 3: Map of the South China Sea (BBC 2011c)



In sum, this has made the SCS a key flashpoint in the East Asian region in general, in China-ASEAN relations in particular, and among ASEAN member states.

All claimants to the two archipelagos have implemented legislation interrelated to their claims. Moreover, all claimants (except Brunei) have established local sovereignty claim markers, including the granting of petroleum and natural gas concessions to foreign companies (see figure 2); and maintain a military presence on the features that occur above water at high tide. Thus China has established bases with a range of electronic support systems both in the Spratly group and the Paracel Islands, which are second in significance after the Hainan Island bases (Ellemann 2009: 46). As the key actor, China holds broad sovereignty claims in the SCS. It draws a maritime boundary running south-westward from Taiwan virtually along the coasts of the Philippines, East Malaysia, and Brunei, then northward more or less along the coast of Vietnam (see figure 2 and 3) (Zhao 2004: 265).

A Historical Perspective of the South China Sea

The Chinese claim in the SCS is above all based on historical grounds. It is argued that Chinese discovered the islands in the SCS during China's Han Dynasty in the 2nd century BC, and the Qing government took jurisdiction over the Paracel Islands in the early 20th century. China put forward different historical evidence to hold up its claim to sovereignty over the Spratly Islands:

“... a host of historical facts have proved that it was the Chinese people who were the first to discover and develop the Nansha Islands [Spratly Islands] and it was the Chinese Government that has long exercised sovereignty and jurisdiction over these islands. The Nansha Islands have become an inalienable part of Chinese territory since ancient times” (Chinese Embassy 2004).

In 1947, the Chinese government published a map, which featured the main archipelagos, islands, and other features in the SCS, but also the eleven dots (also called the U-shaped line) encircling much of the SCS. In 1953, Premier Zhou Enlai dropped the two lines in the Tonkin Gulf; therefore, there are only nine dotted lines today (see figure 2) (Mingjiang 2010). The U-shaped line is the main evidence for China's historical claim. Concerning the discussion of the U-shaped line and “The UN Convention of the Law of the Sea” (UNCLOS), China maintains that the U-shaped line was on Chinese maps prior to the surfacing of international law of the sea, and therefore China has the prior rights in the SCS. According to Chinese officials China should have both legal rights (according to UNCLOS), as well as historical rights (within the U-shaped line) (Wang 2008).

Although, the SCS was long seen as a likely flash point, a military conflict did not come about until 1974 and again in 1988 when China and Vietnam had military clashes over the Paracel Islands (Ba 2003: 627). An important escalation of the Chinese territorial policy took place in 1992 when

the National People's Congress propagated the law on "Territorial Sea and the Contiguous Zone", where the geographic reach of China's sovereignty claims incorporated, among others, the Spratly Islands (Nansha Islands) and the Paracel Islands (Xisha Islands):

Article 2 The territorial sea of the People's Republic of China is the sea belt adjacent to the land territory and the internal waters of the People's Republic of China. The land territory of the People's Republic of China includes the mainland of the People's Republic of China and its coastal islands ; Taiwan and all islands appertaining thereto including the Diaoyu Islands; the Penghu Islands; the Dongsha Islands; the Xisha Islands; the Zhongsha Islands and the Nansha Islands; as well as all the other islands belonging to the People's Republic of China. The waters on the land ward side of the baselines of the territorial sea of the People's Republic of China constitute the internal waters of the People's Republic of China (MSAPRC).

The unilateral promulgation of the law demonstrated an uncompromising stance on sovereignty and a lack of understanding towards the interest and concern of China's smaller neighbours in South East Asia, furthermore, it lead to protests from China's neighbours. (Goldstein, 2005: 110-11).

Chinese Aggression (1990-1995)

At this point in time, the Spratly area was described as "Asia's next flash point" by Andrew Tanzer (1992). Moreover, there was a widespread view among analysts that China would behave in a hostile way. The fear of Chinese hostility was emphasized in February 1992 when China passed the "Territorial Sea and Contiguous Zones" law. Tension escalated when China seized further reefs in the Spratly area, and the foreign ministers of the ASEAN member states issued a joint declaration (The Manila Declaration), which emphasized *"the necessity to resolve all sovereignty and jurisdictional issues pertaining to the South China Sea by peaceful means, without resort to force [and urged] all parties concerned to exercise restraint with the view to creating a positive climate for the eventual resolution of all disputes"* (ASEAN 1992). China's response, however, was the total opposite, because it seized the Da Lac Reef in the Spratly Islands within days of the declaration.

Following, the only thing the claimants could consent on was that the disputes should be dealt with by peaceful means. Since there were no official negotiations, a series of annual informal track two workshops on managing potential conflicts in the SCS (The South China Sea Workshops) was initiated in 1990 (Djalal and Townsend-Gault 1999). One of the basic obstacles was the power difference between China and the ASEAN states. China was fully aware of its relative power advantage, and China preferred to handle all its negotiations on a bilateral basis. This was demonstrated in China's so-called "Three No's" policy on how to deal with the Spratly issue: no to any form of internationalization of the issue; no to any form of multilateral negotiation; and no to a Chinese specification of its territorial claims (Valencia 1995: 12).

The 1995 Mischief Reef Seizure

Like many other features in the Spratly Islands the Mischief Reef is claimed by China, Taiwan, Vietnam, and partly by the Philippines, Malaysia, and Brunei. Predominantly China and the Philippines have struggled over the Mischief reef as the Philippines claim 50 islands (known to Filipinos as the Kalayaans) well within their 200-mile EEZ. In early 1995, Filipino fishermen discovered that China had put up wooden structures and stationed armed vessels at Mischief Reef (Leifer 1999: 4). The Philippines condemned the structures as not in agreement with international law and the 1992 Manila Declaration.

In the 1990s China saw an opening to push its historic claims in the SCS due to its increasing military capabilities, the vague nature of the US-Philippine alliance, and the uncertain commitment the US had in Southeast Asia at the time. Chinese relations with other claimant states have been growing, since China started taking part in the Indonesian sponsored Track II dialogues and other ASEAN meetings, which made ASEAN states less anxious of China. China believed that it had an opportunity to seize the Mischief Reef without US involvement and of course with a slight downturn in the China-ASEAN relationship. Owing the growing trade relationship, interdependence, and China's support for their closed political systems; China believed that its relations with ASEAN member states would not be beyond repair. Consequently China was willing to risk a decline in China-ASEAN relations in order to fortify its claims to the area by capturing territory.

China's seizure of Mischief Reef reinforced the view that China was following a policy of creeping assertiveness by establishing a greater physical presence in the SCS without recourse to open military conflict (Tønnesson 2000: 309). A major debate evolved, on whether the Chinese combination of naval expansion and dilatory diplomacy (Ibid: 311) could be seen as proof of a threatening long-term plan to establish regional hegemony. Denny Roy (1996) did, at the time, not focus so much on intentions and threatening long term plans, but on great powers behave like great powers:

China's... increased relative capabilities make it feasible for a rising great power to exert more control over its surroundings.... [A]s a great power, China will behave more boldly, more inclined to force its will upon others than to consult them. ...There is no convincing reason to think China as a great power will depart from this pattern. If the opportunity arises to establish a dominant role in the region, China can be expected to seize it. This would not necessarily involve physical conquest and occupation of neighbouring states but would mean the use of various types of coercion to maintain an environment favourable to China's interests, and not necessarily to anyone else's (Roy 1996: 761-62).

Analyzing the arguments for or against viewing China as a threat, Roy concluded that an enmeshment strategy, rather than absolute containment or conciliation strategy, was preferable in

the face of uncertainty, *"It neither trusts unduly in a rising major power's self-restraint, nor increases tensions hastily and unnecessarily; nor does it preclude tougher action in the future"* (Ibid: 770-71).

Before reconsidering if China's SCS policy since then fits in with a notion that great powers act as great powers, it has to be noted that virtually every island and reef in the SCS able of supporting some kind of military occurrence have been occupied by claimant states in the late 1990s (Leifer 1999: 2). Thus the scope for any further attempt by China or another claimant state to seize an unoccupied island worth holding has simply disappeared.

De-escalation (1995-2009)

From 1995-2009 movements towards de-escalating the SCS disputes have been supported by all claimants. During those 14 years there have not been any major incidents. The Mischief incident generated the de-escalation process, and made the ASEAN parties unite and, for the first time, take a united position against China. Without openly mentioning China by name the ASEAN foreign ministers in March 1995 issued a statement expressing,

"...serious concern over recent developments which affect peace and stability in the South China Sea.... [calling upon] all parties to refrain from taking actions that destabilize the region and further threaten the peace and security of the South China Sea.... [and called] the early resolution of the problems caused by recent developments in Mischief Reef" (ASEAN 1995).

Vietnam, who shortly after became a member of ASEAN, supported the statement. This was the set off in a process of multilateral dialogues between China and ASEAN. China remained opposed to an internationalisation of the SCS, but did become more open to negotiations in multilateral settings such as discussing the issue on a China-ASEAN meeting. Before the 1995 ARF meeting China declared its willingness to discuss the Spratly Islands in a multilateral setting. Two years later, in 1997, China accepted that the SCS disputes were put on the agenda at the ARF. In 1999, ASEAN officials agreed to a regional code of conduct to avoid conflict in the Spratly Islands. This was a more detailed paper than the preceding Manila declaration. China did not sign the draft, but did agree to discuss the code of conduct with ASEAN.

In January 2000, tension increased again when photographic proof made clear that China had expanded the installation, referred to as shelters for fishermen, on the Mischief Reef that it had put up in 1995. This concerned ASEAN member states who believed China was strengthening its claims, so they called for restraint and compliance to international law during high-level meetings with China. Two years later, on 4th November 2002, China and the ASEAN member states signed the DOC. In the declaration the parties

"undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations...[,] to

exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability... and to handle their differences in a constructive manner" (ASEAN 2002).

From 2002 to 2009 relations in the SCS moved in a positive direction. This includes joint collaborations on exploiting natural resources between China and the Philippines in 2003 and China and Vietnam in 2005 (Weissmann 2009: 127). Whether this will continue remains to be seen, but the recent disagreements between China, Vietnam, and the Philippines have again redirected focus on the issue and the need for a code of conduct in the SCS.

The 2009 Clash between China and the US

In 2009 the clash between Chinese vessels and a US surveillance ship off Hainan was just another act in a long-running law of the sea dispute between China and the US. The incident happened just 120 kilometres south of the island of Hainan, which means within China's EEZ, and was apparently because of diverse interpretations of international law. But primarily it emphasizes the lack of transparency and trust in the US-China relationship. Because of both countries' doubt concerning future intention, such confrontations are likely to increase in regularity and intensity if a *modus operandi* is not developed (Valencia 2009).

According to Pentagon, *"five Chinese vessels shadowed and aggressively maneuvered in dangerously close proximity to USNS Impeccable, in an apparent coordinated effort to harass the US ocean surveillance ship while it was conducting routine operations in international waters"* (Yuli 2009). There are a number of problems and inadequacies in Pentagon's description of the episode. First of all "international waters" is not an internationally accepted term within the EEZ. It is a term used by the US Navy to specify areas, where the US Navy assumes, it has unconstrained navigational freedom. According to UNCLOS, there are internal waters, territorial waters, contiguous zones, EEZs, and high seas (international waters) - each with their specific rules concerning freedom of navigation (see figure 5). Secondly, marine scientific research in another state's EEZ can only be carried out with the approval of the owner (Ibid), because it may perhaps influence the exploration, exploitation, conservation or management of the EEZ's living and non-living resources. Furthermore, it has to be for peaceful purposes only. China says that the US actions have to do with marine scientific research, but that China did not agree for the US to sail within the Chinese EEZ. The US makes a distinction between marine scientific research, which need consent from the owner, and hydro graphic and military surveys, which are referred to separately in the convention. According to Mark J. Valencia (2009a) the US upholds that the last does not need approval from the owner according to the convention. Here one must be critical to the fact that the US has not signed the convention but still refers to it and furthermore interprets it to its advantage.

US Secretary of State Hillary R. Clinton said after her meeting with Chinese Foreign Minister Yang Jiechi in 2009, “*we both agreed that we should work to ensure that such incidents do not happen again*” (Lee 2009). China stated after the meeting that the PLA Navy had no intentions of increasing the military presence in the SCS, and that it considers the incident “closed” (AsiaNews 2009). However, the episode was not really about the finer points of international law. Rather it had to do with mutual distrust because of China’s military expansion, and provoking US actions to watch the Chinese moves in order to counteract if needed. China has for a long time tried to stop other countries from carrying out surveillance or surveying operations within its EEZ.

The approval of the 2009 PBB by the Philippines Congress and President Arroyo (MST 2009) was a further escalation of the sovereignty disputes over islands and reefs in the SCS. China protested the PBB, because it encircled Scarborough Shoal and some islands within the Spratly Islands (see figure 3 and 4) as part of Philippine territory. The same islands and reefs are claimed by China and Vietnam. Vietnam also protested the PBB, warning that the Philippines threatened peace and stability in the region (Adriano 2009).

Recent events have stimulated disagreements in the SCS all over again and underline the complications of achieving stability in the SCS.

The South China Sea and the Most Relevant Elements to Be Considered

The recovery of many Asian economies after the Asian Financial Crisis in 1997 and not least the Chinese rapid growth have resulted in the increase of trade, demand for energy, and higher levels of mineral and foodstuff consumption; which means that maritime areas that harbour rich fisheries have become more valuable. Undoubtedly, these tendencies will add to each of the different claimants’ continued demand for their claims in the SCS. Furthermore, such developments will increase the importance of SLOCs, because they are important for the flow of commerce, natural resources, and foodstuffs. In combination, the above mentioned factors will give Asian states a powerful interest in encircling the sea within set and well-specified boundaries.

The Law of the Sea and UNCLOS

The SCS is contested with overlapping claims (see table 7). The majority of the claims are found on historical rights or on the internationally established principles in the UNCLOS. UNCLOS, which came into force in 1994 and are signed by all claimant states in the SCS except Taiwan – the US has not signed either (UN 2011c), created a number of zones of jurisdiction such as the internal waters, the territorial sea, the contiguous zone, the continental shelf,¹³ and the EEZ - all of which extends from a state’s baselines¹⁴ (see figure 4) (UN 2011a).

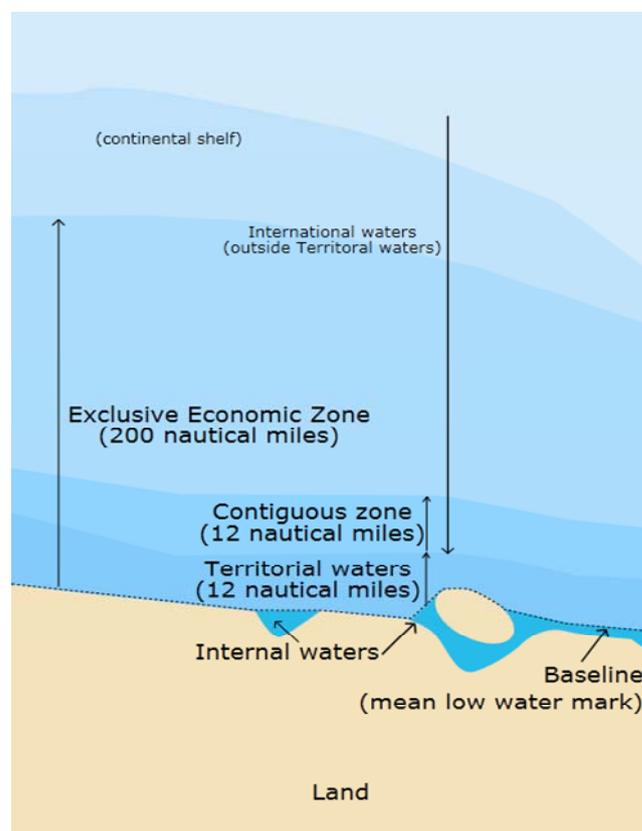
¹³ A continental shelf is defined as the seabed and subsoil of the submarine areas that extend beyond a state’s territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin or to a distance of 200 miles from the state’s baselines. The continental shelf cannot exceed 350 miles from the state’s baselines or 100 miles from the 2,500-m isobaths (Sohn and Gustafson 1984: 157).

With respect to the territorial sea, UNCLOS permits states to claim a 12-mile territorial sea, in which they have complete sovereignty over the sea, the airspace over the sea, and the seabed and solid rock within the sea. Regarding the contiguous zone, UNCLOS allows states to claim a 24-mile contiguous zone; where they can implement the control needed to avoid violations of customs, fiscal, and immigration laws as well as laws recognized for the territorial sea (Sohn and Gustafson 1984: 113). UNCLOS also provides states with the right to proclaim a 200-mile EEZ. In this zone states hold sovereign rights to explore, exploit, conserve, and manage all living and nonliving resources of the seabed, its subsoil, and superjacent waters. In addition, they have certain rights to construct, operate, and maintain artificial islands, installations, structures, and to control research (Sohn and Gustafson 1984: 142-46).

With respect to the continental shelf, UNCLOS grants states the right to explore and exploit the seabed and subsoil of the continental shelf in an area outside that given by provisions regarding the EEZ. Guidelines also grant states unlimited control over the natural resources of the continental shelf (Forbes 1995: 78).

UNCLOS extensively enlarges the quantity of water and continental shelf, over which states can claim territorial sovereignty, exercise powers to guard their sovereign rights, and control natural resources. Since islands present countries a starting point from which to claim territorial seas, EEZs, and continental shelves; it is obvious that Asian states emphasise the significance of claiming and setting forth control over the islands in the SCS, no matter how small or economically insignificant.¹⁵

Figure 4: Description of the Different Zones
(UNCLOS 2011)



¹⁴ Baselines represent the starting point for measuring the breadth of the various jurisdictional zones. In general, they follow the low-water mark or low-tide elevation along the coast, though; in cases of coastal indentation states can use straight baselines that connect two appropriate points along the coast. There are, however, special rules for baselines for rivers, bays, islands, harbour structures, and archipelagic states (Sohn and Gustafson 1984).

¹⁵ All islands do not matter equally, in terms of the rights they afford, a state. Small islands or rocks that cannot sustain human habitation or economic life have only a territorial sea and contiguous zone. Artificially created islands do not afford a territorial sea, EEZ, or continental shelf (Sohn and Gustafson 1984: 46-47).

Overall, then UNCLOS made it more likely that states will disagree over islands, and it increased the potential for disputes over maritime boundaries. The right to announce a 200-mile EEZ set bordering coastal states on the road to conflict by authorizing them to make overlapping maritime claims. Finally, UNCLOS produced new naval missions and, therefore, a basis for the acquisition of destabilizing naval capabilities. Although these consequences are serious, UNCLOS is not to blame for all of the region's maritime problems.

Even before UNCLOS, states saw value in certain islands and waters, and UNCLOS can also be interpreted as helping to uphold Asia's maritime security order, because states would make island and maritime claims no matter what. With respect to the Asian maritime scene the search for identity means that states will claim or defend islands and maritime areas that are related to sources of their identity.

In Asia, states currently label these identities in terms of their history, boundaries related with an outward as opposed to an inward orientation, and borderlines that connect them to specific regions such as islands and maritime areas. UNCLOS has "*ensure[d] that to a greater extent than ever before the sea will be conceived as an extension of the land*" (Booth 1985: 37).

The history of some states in the region as colonial dependencies of other states deepens their focus over the defence of their area. Although maritime boundaries do not symbolize the state as do land borders, UNCLOS makes it obvious that maritime boundaries do offer a basis, for states to claim rights and assert legal jurisdiction. As a result, states have begun to pay more attention, to the need to assert their sovereignty over islands and maritime boundaries (Valencia 1996: 91). For that reason the various claimants in the SCS stress their right, to what they have claimed. They have begun to describe the movement of foreign ships through their territorial waters as invasions and are displaying increased sensitivity to the movement of foreign vessels in their EEZ¹⁶ (see BBC 2011a and BBC 2011b). Finally, Asian states, across the board, modernize and develop their navies to protect islands and maritime areas they regard as theirs (see TCP 2011).

This strong concern over maritime areas generates obstacles. First, it makes it more complicated to solve the different overlapping island and maritime claims. Second, it drives states to take a more restrictive approach towards navigational rights in territorial seas, archipelagic waters, and international transit straits; which has implications for the security of SLOCs. Third, it encourages each country to send its navy on patrols, survey missions, and the like. Fourth, it makes it more difficult for states in the region to agree on joint development schemes that give more parties an opportunity to develop maritime resources.

¹⁶ Generally, a state's EEZ extends to a distance of 200 nautical miles out from its coastal baseline. The exception to this rule occurs when EEZs would overlap; that is, state coastal baselines are less than 400 nautical miles apart. When an overlap occurs, it is up to the states to delineate the actual maritime boundary (Sloman 2006: 294). Generally, any point within an overlapping area defaults to the nearest state (UN 2011a).

Sovereignty and National Identity

The desire to guard sovereignty is another factor influencing the dynamics of Asia's maritime setting. Remarks by both Philippines, Chinese and Vietnamese officials in spring 2011 show that sovereignty considerations affect the various disputes (see BBC 2011a, BBC 2011b, and TCP 2011). The most sensitive disagreements seem to be those in which all three factors (resources, national identity, and sovereignty) are involved.

A small number of the more than 200 features (islands, rocks, and reefs) in the SCS are of any noteworthy size, and almost none can sustain human life, which is a requirement according to UNCLOS article 121 (UN 2011b) for a country to claim continental shelf or EEZ, "*Rocks which cannot sustain human habitation or economic life of their own shall have no exclusive economic zone or continental shelf.*" Ownership of an island does though allow a country to claim territorial sea and contiguous zone, which will allow them to fish, sail, and setup military equipment.

The history of the SCS dispute demonstrates that it has been a lively and sometimes dangerous controversy. Furthermore, it exposes that even if nearly all Southeast Asian states claim islands and waters in the area; China, the Philippines, and Vietnam are particularly eager. Finally, it shows that territorial and sea disputes in maritime Asia can explode in aggression. The significance of the SCS as a source of national identity also justifies concern. Recovery of the SCS appears to offer Chinese leaders a means to wipe out a century of national humiliation by permitting them to found new borders that are not related with China's period of division and management of foreign powers (Valencia 1995: 16). Focusing on China, Chen Jie (1994: 893) has highlighted the significance of the SCS in terms of sovereignty, "*It is embedded in the national psyche that the Spratly archipelago has been part of the motherland's territory since ancient times...*"

Asian states claim ownership of parts of the SCS and its islands for several reasons. First, it contains a potentially gigantic amount of living and nonliving resources. Second, its islands and waters are a source of national identity. Third, territory and maritime areas in the SCS are significant for protecting their sovereignty. Since states need resources, seek sources of national identity, and are passionate in protecting their sovereignty; I would anticipate claimant states to be vastly unenthusiastic to give up their claims or make compromises. After all, the SCS is associated with not just one of these wanted elements (resources, national identity, and sovereignty) but all three of them.

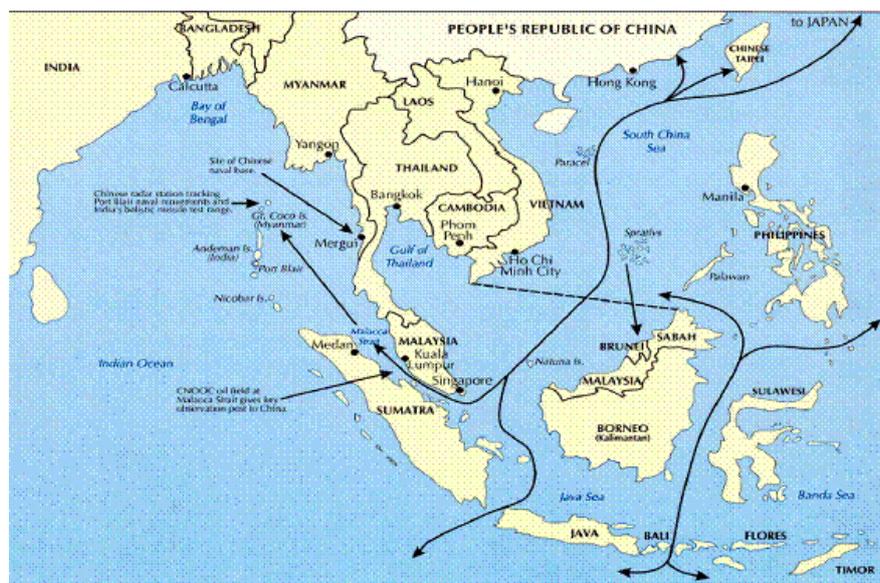
Sea Lanes of Communication

SLOCs are vital and have both regional- and geo-strategically implications. The SCS is the world's second busiest sea lane, and over half of the worlds merchant fleet (by tonnage) navigate through the area every year including more than half of the world's super tanker traffic (Global Security 2011). To the south, the Strait of Malacca connects the SCS to the Indian Ocean, and to the north, the Taiwan Strait connects it to the Pacific Ocean (see figure 5).

In East Asia countries have a profound interest in keeping the SLOCs free. Interrupted or endangered SLOCs would be damaging not only for the trade of goods of the effected states but also given their dependence on imported oil. China is a net importer of crude oil, most of which comes through the Strait of Malacca and the SCS. More than a quarter of the world's trade pass through the SCS including 70% of Japan's energy needs and 65% of China's energy needs (Schofield 2009: 18). Japan and not least the US are closely watching China's assertiveness in the SCS (see Hille and Sevastopulo 2011). US Secretary of State Hillary R. Clinton, speaking at an Asian regional security meeting in Vietnam July 2010, stressed that the US stays neutral on which states have territorial claims, but that the US has an interest in safeguarding free shipping in the area. Furthermore she stated, *"The United States has a national interest in freedom of navigation, open access to Asia's maritime commons and respect for international law in the South China Sea"* (Landler 2010).

A variety of factors can get in the way of the area's SLOCs: territorial and maritime disagreements, the dispute over Taiwan (such as mining of SLOCs or direct attacks on shipping), piracy, naval rivalries, or domestic instability. Another problem worth mentioning for the region's SLOCs is contradictory readings of UNCLOS, which, on the one hand, gives foreign ships and aircrafts a specific right of passage. On the other hand, UNCLOS allows states to set up certain rules

Figure 5: SLOC's in Southeast Asia (Vasan 2011)



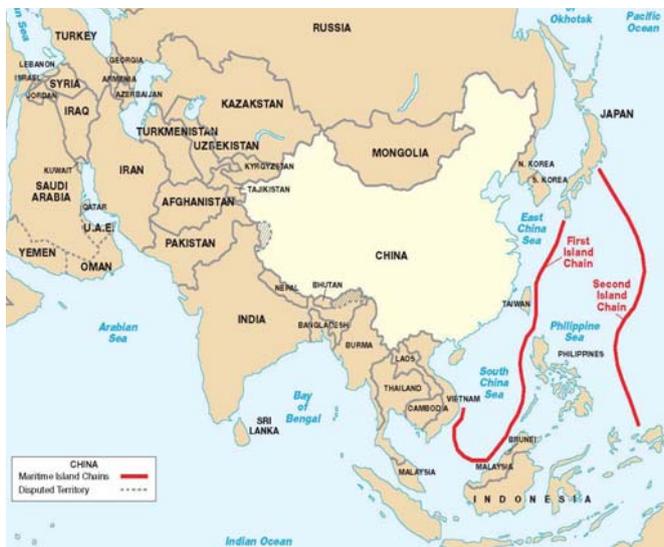
and regulations for foreign vessels.¹⁷ Given the challenges of these rights, their correct reading is a basis for intense debate. For example, both Malaysia and Indonesia threatened in 1972 to close the Strait of Malacca to vessels larger than 200,000 tons (Buzan 1978: 41). In 1978 and 1988, Indonesia sought to close the Lombok and Sunda Straits as a way to emphasize its sovereignty (Ji 2000: 8).

In the event of a minor crisis around the Spratly Islands it would not have much of an effect on SLOCs, because key shipping routes are far-away from the islands. Ships that normally sail through the Strait of Malacca may well go through the Lombok or Sunda Straits. In the event of a major crisis in the SCS ships will be able to travel around Indonesia and even the Philippines. If a ship decides on Lombok rather than Malacca, it would only have to sail 150 more miles to make the trip from the Middle East to Shanghai or Yokohama (Ji 2000: 2-3).

Getting Sea Legs

Most significantly to the dawn of a greater China is the prospect of Taiwan. The question of Taiwan is mainly argued in moral terms from the various sides: China argues for the necessity to strengthen the national identity and unify China for the good of all ethnic Chinese; US argues for safeguarding democracy. But the valid concern has different reason.

Figure 6: The First and Second Island Chain
(Office of the Secretary of Defence 2007: 16)



Taiwan is because of its location capable of terrorizing the length of China's coasts, or as US General Douglas MacArthur¹⁸ describes Taiwan's location (seen from a US military strategic position) "an unsinkable aircraft carrier" on the Chinese coastline (Munroe 1999). Not surprisingly, Chinese strategists¹⁹ have frequently advised the Chinese leaders to neutralize the "hostile forces" inhabiting the island allowing China's navy to manoeuvre freely along China's maritime periphery and sustain power beyond the island chain perimeter (Cole 2001: 166-67).

¹⁷ According to UNCLOS, 'innocent passage' occurs when a vessel goes through a territorial sea or is transiting to or from internal waters and a territorial sea. Innocent passage must be continuous and expeditious and cannot present a threat to peace, order, and security. Moreover, submarines are supposed to surface. Although coastal states are not supposed to hamper innocent passage, they can impose laws and regulations on vessels. Furthermore, they have the right to deny non-innocent passage and to suspend the right of innocent passage when national security is at stake. 'Transit passage' applies to straits used for international navigation between the high seas or EEZ or another area. There is freedom of navigation for continuous and expeditious passage subject to the laws and regulations of the coastal state that do not delay, hamper, or impair transit. Coastal states cannot suspend the right of transit passage, and the transit passage regime imposes no vessel restrictions. Finally, the right of 'archipelagic sea-lane passage' affords passage through designated lanes or normally used routes in archipelagic waters. Coastal states cannot suspend this right, and there are no vessel restrictions (Amer 1998: 89-93).

¹⁸ General Douglas MacArthur was an American general and field marshal of the Philippine Army. He was part of the Pacific theater during World War II and led the UN Command in the Korean War from 1950 to 1951.

¹⁹ Not least Liu Huaqing commander of the PLA navy in the 1980s.

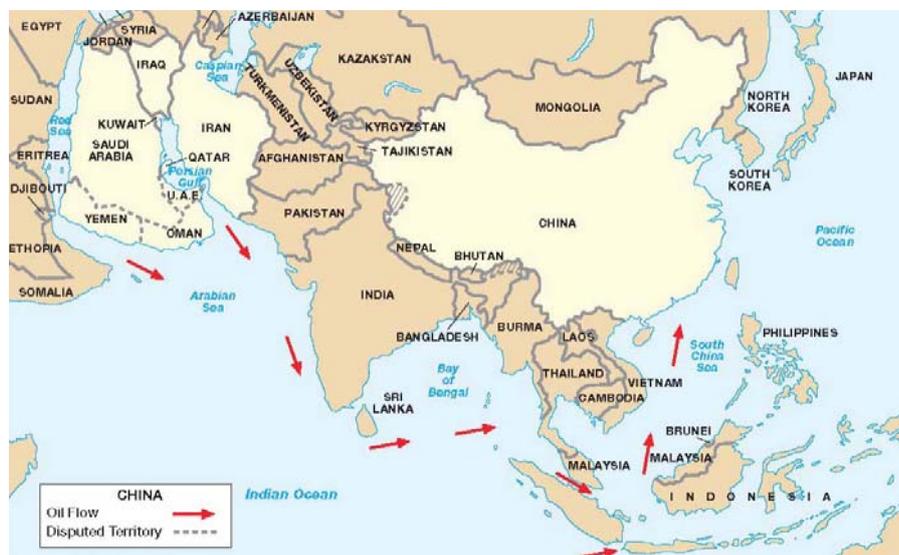
If Taiwan became part of mainland China, the Chinese navy would not only be in an advantageous strategic situation vis-à-vis the first island chain (see figure 6) but also be able to sustain power to the east of Taiwan. Chinese military theorists conceive of the two island chains as forming a geographic basis for China's maritime defensive perimeter.

China is developing capabilities intended to obstruct the US Navy from entering the East China Sea and other Chinese coastal waters. China has updated its destroyer fleet and has in 2011 announced its first aircraft carrier, but it has not acquired warships. Instead, it has focused on constructing new classes of conventional, nuclear attack, and ballistic missile submarines. The submarines are intended, sooner or later, to deny the US Navy easy entrance to considerable parts of the western Pacific. China seeks to develop capabilities all along its coastline to deter the US Navy from sailing between the first island chain and the Chinese coast, whenever and wherever it desires (Kaplan 2010: 34).

There is, however, an inconsistency at the aspiration of China's efforts to sustain power at sea. On the one hand, China gives the impression of aspiring on refusing US vessels easy entrance to its coastal seas. On the other, it is still unable to protect its SLOCs (see figure 7), which would make any attack on a US warship useless, since the US Navy is, for the time being, able to stop Chinese energy supplies by blocking Chinese ships in the Pacific and Indian oceans. That risk might be minimized in the future with China's construction of oil pipelines from Kazakhstan (see figure 8), Bay of Bengal (see figure 9), Russia, and from the newly built deep sea port in Gwadar in Pakistan (see figure 10) to China (Riedel and Singh 2010).

China's claims in the SCS have a strategic importance to China, even though the SCS islands are not a barrier. Shipping usually does not sail close to the islands, and therefore, do not hinder China's entrance to the Pacific Ocean in the same way as the Japanese and Philippine archipelagos do.

Figure 7: China's Critical Sea Lanes (Office of the Secretary of Defence 2007: 9)



China’s first island chain includes the Korean Peninsula; the Japanese, Philippine and Indonesian archipelagos; and Australia. The second island chain contains the northern Marianas, Guam and Palau (see figure 6).

Chinese Strategic Planning and the South China Sea

Energy resources in the SCS are possibly, because of the strategic significance, the second most significant appeal for China’s claim (Mingjiang 2010: 51). Unlike other claimant states, perhaps, is the strategic importance of oil and gas in the area not least to avoid further vulnerability on US naval blockades. Chinese analysts view the natural resources in the SCS as a significant necessity for the prospect of Chinese national economy. Ever since becoming a net importer of oil in 1993, China’s requirement for energy has constantly increased (see figure 11). At a government conference concerning economic issues in 2003, Chinese President Hu Jintao stressed the importance of China’s oil security. He advised to focus on the energy issue as being of strategic importance, implement a new oil development strategy, and take effective measures to guarantee China’s energy security (Ibid: 51). Part of the Chinese strategy is to secure ports from Africa to

Figure 8 Oil Pipeline in Central Asia
(Vasan 2011)



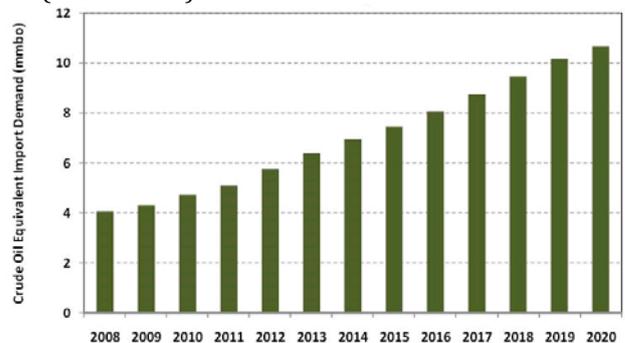
Figure 9: China’s Trans-Myanmar Oil and Gas Pipelines
(Vasan 2011)



Figure 10: China Trans-Pakistan Oil and Gas Pipeline
(Siddiqi 2010)



Figure 11: China’s Near Term Oil Import Needs
(Vasan 2011)



Based on future demand growth crude oil imports would have to double by the middle of the next decade and would exceed 10 million barrels per day by 2020.

China, and not least minimize its vulnerability around the various straits.

The SCS has been considered as one of the ten most vital strategic oil and gas sources for China, it is perceived as the entrance to the Pacific Ocean and the Indian Ocean, and as a result it is regarded as of exceptional significance to China. First of all, the SCS is viewed as a natural protection for China's security in the south. Second, having a strong grip in the SCS would provide China with a strategic defence locality of over 1000 kilometres, which probably would serve as a restraining factor for the US navy (Hou 2000). Third, physically China is enclosed by two chains of islands in the east (first and second island chain), and given the fact that the US keeps a powerful military presence in the West Pacific, a strong grip in the SCS would provide China with more strategic manoeuvring room. Fourth, Chinese strategists have long thought that China geopolitically is exposed both on land and from sea. This double exposure has to some degree changed after China solved most of its land border disputes with its neighbours (Liu 2005). Future challenges to China's territorial integrity and sovereignty will in the future most likely come from the ocean, including the SCS.

Marine economy is another important aspect in China's strategic planning. The fishing industry has been a central element of the economic life of citizens in numerous Chinese coastal provinces closest to the SCS. The ocean has turned out to be a significant part of continuing strategic advantage, and China has recognized that its marine economy accounted for only 3.4% of China's GDP in 2002 falling far behind Western maritime powers (Ibid).

Parallel to all other claimants, the SCS is also vital to China, since it includes especially important flight routes and SLOC's. Its significance as a transportation passage is linked to the Malacca Strait, which is an important waterway for China's energy security.

China's Reassurance Campaign

China has used a mixture of diplomatic, economic, and military means to assure confidence among its Asian neighbours that a more powerful China will not threaten their interests. China's diplomatic efforts in Asia now rest upon a base of qualified and competent diplomats, who are capable of communicating Chinese interests and assure confidence effectively (Fravel and Medeiros 2003). The substance of China's diplomatic messages has also transformed to have more appeal in Asia. In 1997–1998 China put forward the "New Security Concept," a rephrasing of its five principles of peaceful coexistence that focused on mutually beneficial cooperation on the basis of equality, mutual respect, non-interference in the internal affairs of other countries, and resolution of conflicts through dialogue (Finkelstein 1999). This concept fitted reasonably well together with the principles and favoured methods of action of the ASEAN states.

China has wanted to restore confidence with ASEAN states by engaging and negotiating with ASEAN states on a multilateral basis, abstaining from the bargaining advantages that the more

powerful part benefit from in bilateral negotiations. China's motivation to negotiate in the ASEAN+China framework has offered some reassurance, that China will not follow a divide and conquer strategy (Saunders 2008: 131). China also started on a series of annual summits with ASEAN, embarked on taking part more aggressively in ARF and its unofficial counterpart the Council for Security Cooperation in the Asia Pacific (CSCAP), and signed the DOC. At the 2003 Bali Summit, China was the first non-ASEAN member to sign the TAC, which codified ASEAN's preferred principles of international conduct such as non-aggression, non-interference, and peaceful resolution of disputes. China also signed a strategic partnership agreement with ASEAN giving the organization a position equivalent to China's partnerships with other major powers.

As mentioned above China has developed into being more enthusiastic in taking part in regional multilateral organizations such as APEC, ASEAN+3, ARF, and the EAS. China has historically been unwilling to contribute in multilateral forums due to suspicions that other countries collectively would gang up on it, and for the reason that multilateral norms and procedures could limit its ability to follow its interests. China's enlarged multilateralism is a means of channelling Chinese power, in ways that make it more tolerable to its neighbours (Gill 2007).

China has also engaged in concrete measures to deal with Asian security anxiety. One of the most significant has been its efforts to resolve almost its entire land border disputes with its neighbours in the 1990s. These efforts have eased fear about likely conflicts over borders and paved the way for improved cross-border cooperation against terrorism and organized crime. In several cases, China has made territorial concessions in order to resolve these disputes; although, the Chinese leadership has often sought to keep the details of these concessions hush-hush to steer clear of nationalist disapproval (Fravel 2005). Just as central has been China's restraint in the use of its military forces. The hostile behaviour that upset China's Asian neighbours in the mid-1990s has not been repeated since.

In the economic sphere, China has wanted to convince Asian states that they will be able to take part in the benefits of China's rapid growth, while at the same time advancing Chinese interests through trade diplomacy. "Win-win" and "mutual benefit" are the watchwords of China's trade diplomacy. China's growing role in global trade and prospects of future growth, makes it an attractive market, and gives China an extensive weight in its dealing with trade partners. A fairly new facet in China's trade diplomacy involves negotiation of regional and bilateral free trade agreements, where the ACFTA agreement is the most noteworthy example. China also frequently uses trade-facilitation agreements or non-binding bilateral trade targets to influence market access as a diplomatic instrument in bilateral relations (Saunders 2008: 134).

VII Emerging Chinese Assertiveness

Regardless of all the above mentioned positive developments, there are signs, which signify that China is prone to become more assertive in the SCS dispute in the future.

China is increasingly using satellites to supervise manoeuvres along its disputed maritime periphery to guard its interests in the SCS (Brown 2010). In March 2010, Chinese officials apparently told the US that China would not accept any external interference in the SCS, which is part of China's national "core interest"²⁰. It was the first time that the SCS issue was included as a core national interest comparable to the concern of Taiwan and Tibet (Wong 2010). China's increasing economic interests in the SCS and its improved capabilities are fuelling the growth of assertive attitudes. In the beginning of 2009, the Chinese air force carried out a large scale exercise in the southern part of the SCS. In March and again in May 2009, China sent a Fishery Administration fleet to the Paracel Islands for patrolling. In April 2010, two Chinese Fishery Administration ships sailed to the SCS to begin habitual patrols within the Spratly Islands. The various illustrations indicate that China has increased its efforts to assert its interests in the SCS.

Since February 2011, especially the Philippines, Vietnam, and China have not just quarrelled over the SCS. In February, there were reported episodes of Filipino fishermen being threatened and fired on by Chinese vessels. In March, two Chinese patrol boats stopped a Philippine oil exploration vessel and told it to stop activities in the Reed Bank area, and soon thereafter, China declared plans to anchor an oil rig in the Spratly Islands. In May, the Philippines discovered material on Amy Douglas Bank believed to have been unloaded by Chinese vessels, and thereby, signifying potential new construction plans. In late May, a Chinese marine surveillance vessel cut an undersea cable that a PetroVietnam ship was laying within Vietnam's claimed EEZ. Chinese government spokespersons have explained the incidents into the Philippines as normal marine research activities and the episode with Vietnam as normal marine law enforcement and surveillance activities within China's territorial waters (Baviera 2011).

The increasingly harsh rhetoric is being backed by a demonstration of power. China sent one of its most modern surveillance vessels through the SCS, and the Philippines sent a warship on patrol through parts of the SCS. Vietnam and China have each carried out live-fire exercises, while the US and ASEAN navies have just completed their annual joint naval exercise (Romulo 2011).

With the levels of energy self-sufficiency in Southeast Asia are falling, and a wide range of countries are searching for energy supplies and security, one might expect claimant countries in the SCS to become more assertive about their claims. These circumstances will be even worse, in case considerable reserves of oil and gas should be found in the disputed areas. Such a situation may not

²⁰ The truth of this report is still unknown. Apparently, the Chinese expressed this view at an academic meeting, and it, therefore, does not represent the official government position on the South China Sea.

take place in the short term, as the international oil companies have a tendency to keep clear of exploration in disputed areas, unless an agreed arrangement for joint development and exploration provides a legal basis for their investment (Schofield 2009).

The shifting Chinese attitude towards assertiveness could be seen as evidence, of its wish to profit economically in the SCS, and its wish for increased security. In recent years, China has started to pay more attention to the SCS hoping to harvest the benefits of energy resources in the area. Regardless of doubts about the estimated reserve of oil and gas resources in the SCS by a range of international experts, the Chinese appears to be quite confident about the scenario of energy resources in the area. Zhang Fengjiu, a senior engineer at China National Offshore Oil Corporation (CNOOC), reports that until 2007 China had discovered 323.5 billion cubic metres of natural gas in the SCS, and that China has been extracting approximately 6 billion cubic metres of natural gas in the SCS annually accounting for 88% of China's natural gas production in the sea (Zhang 2009).

In 2005, the Chinese Ministry of Land and Resources identified the SCS as one out of ten strategic energy zones and completed a strategy to gather speed in an effort to exploit the oil and gas in the region. In 2006, China proclaimed that it intended to invest US\$122 million in studying the exploration of combustible ice in the SCS and planned to trial extract before 2015. It is estimated that the reserve of combustible ice in the northern part of the SCS alone would be equivalent to 50% of all the oil reserves in the Chinese land area (Mingjiang 2010: 60). CNOOC plans to invest US\$ 29 billion before 2020 to set up 800 oil platforms in deep water areas, and the company's goal is to produce 250 million tons of crude oil in deep water areas by 2015 and 500 million tons by 2020 (Zhou 2008).

There is no doubt that China has become more assertive in the SCS, but there are limits, to how far it wants to go.

Limits on China's Assertiveness

China's efforts to offer reassurance of its benign intentions have had noteworthy impact, but Asian states continuously have considerable concerns towards China's long term intentions. Some Southeast Asian states are actively encouraging the US, Japan, and India to take an even bigger role in regional affairs to balance against Chinese influence. Most Asian states see China as an economic opportunity for their country to prosper, even though Southeast Asian companies see competition from Chinese exports as a severe challenge to their survival. Furthermore, Asian states are happy with China's involvement in multilateral organizations, even though China's behaviour within regional forums has been mixed (Saunders 2008: 140).

There are still noteworthy constraints that can minimize China's muscle-flexing, despite, the above mentioned signs of China's growing assertiveness, and China faces numerous dilemmas concerning the SCS dispute. First of all, the dilemma is how to preserve a balance between

defending its sovereignty and other maritime interests in the SCS and similarly upholding a peaceful and stable relationship with Southeast Asian countries. Southeast Asia and the SCS are strategically very important to China, and therefore, it needs to preserve good relations with its Southeast Asian neighbours, in order to alter the “China threat” thesis, and promote an optimistic image of China’s regional behaviour. An assertive Chinese approach will most likely force other claimant states to the security embrace of the US and other major powers in the region such as Japan and India. Secondly, China is at the same time confronted with the maritime disputes between China and Japan in the East China Sea, which often escalates into quarrels and demonstrations. The task for China is how to avoid a synchronized escalation of maritime disputes in both the East China Sea and in the SCS. In this logic, China will have to step carefully in the SCS to avoid a two-front confrontation in the maritime domain. Thirdly, and possibly most crucially, the CCP has again and again stated that domestic socio-economic development is considered as the most vital mission for decades to come. The CCP, furthermore, states that a peaceful and stable environment is essential for the continued domestic economic growth, upon which a big part of the legitimacy of the CCP relies.

The Asia-Pacific Blue Paper 2010, published by the Chinese Academy of Social Sciences, concludes that China’s security environment has not seen any improvement. The paper states that major powers in East Asia have stepped up their efforts to constrain China, and the Asia-Pacific Blue Paper advise the Chinese leadership to respond to this security environment by adopting the following policies: further strengthen China’s own power, stabilise China-US relations, pursue a good-neighbourly policy, and further improve China’s soft power in the region (Mingjiang 2010: 63).

Bilateral agreements would without doubt help build more decisive cooperation among the claimant states. A good example is the separation of the Tonkin Gulf between China and Vietnam; here the two countries have signed an agreement, where China and Vietnam, respectively, gets 46.77% and 53.23% of the Gulf. They further decided to establish a joint fishery zone, and in cooperation explore the energy resources across the periphery (Wu 2009). In 2006, CNOOC and PetroVietnam signed an agreement, where they in cooperation seek to explore the energy reserves in a jointly agreed area in the Tonkin Gulf.

To push for further bilateral agreements with other claimant states, China needs to clarify its positions on its claims in the SCS. For many years, according to Zou Keyuan (2001), China has aimed for a joint development scheme between the claimant states in the SCS. But at the same time, China has maintained that other claimant states must recognise Chinese sovereignty in the SCS as a precondition for joint development; something the other claimant states have firmly declined. In fact, the Chinese precondition has been a considerable obstacle for any joint development scheme

to progress. As an alternative to claiming the whole SCS area, it has been recommended that China have the benefits of “historical rights” in the SCS for a development scheme to progress (Ibid). China has established joint development in its EEZ and continental shelf in the East China Sea with Japan and in the Tonkin Gulf with Vietnam; in neither of the two agreements did China ask the other party to recognize Chinese sovereignty as a requirement, furthermore, China is negotiating with Vietnam over joint development in the area south of the Tonkin Gulf, which is basically part of the SCS. All signs that might suggest, that it might be possible to progress by following such a direction.

A clearer Chinese position on its claims in the SCS and Chinese enthusiasm to move forwards for truly win-win situations; where both parts gain from the cooperation, instead of a present situation, where none gain; would smooth the process. Xue Li (2009), a senior strategic analyst at the Chinese Academy of Social Sciences, has projected a Spratly Energy Development Organization comprised of all claimant states to jointly explore and exploit the energy resources in the SCS. Joint development and closer economic integration in the region of the SCS could facilitate and improve understanding and slowly assemble consensus through cooperation, so that the claimant states will uncover alternatives on how to solve the maritime dispute in the SCS.

In sum China has followed, and is likely to continue to follow, a more or less restrained security policy in the SCS. The essential of the domestic socio-economic agenda of the CCP, the significance of Southeast Asia in China’s Asia strategy, and strategic pressure from major powers have all formed China’s moderation in the SCS.

VIII Power Relations in Southeast Asia

Good relations between the Asian great powers (China, Japan, and India) are developing, while at the same time the three states compete and cooperate with each other. A further feature of the emerging new Asian order is the implication of smaller and medium powers, both in isolation and as part of regional groupings.

The results of a few decades of rapid economic growth in the region, which may be welcome for its economic benefits, are also potentially destabilizing, because of the increasing search of resources to feed the economies of Southeast Asia. Furthermore, domestic and international developments interact with each other in new and uncomfortable ways because of globalisation and the increased level of interdependence in the region. Such developments create vulnerability vis-à-vis stronger states, which can create a further focus on nationalist sentiments.

The Role of the US

Realism sees the Southeast Asian region as increasingly shaped by conflict or developing conflict focused, in particular, upon the challenges to the US posed by the rise of China. But realists hold opposing views, on whether that would lead to military conflict, or whether the US would be able to accommodate China's rise and redistribute power (Brzezinski and Mearsheimer 2005).

The US has been weakened by its wars in Iraq and Afghanistan and with the following US deficit, but as Robert Sutter (2008) has argued, the US is still the most important power in the Asian region, and there is no other power or organization in the region that is at all able, much less willing to offer the security guarantee and economic public goods that emphasize US leadership in the region and continued importance. The US also has the advantage and benefits of being the only major power that does not have territorial disputes with other states in the Southeast Asian region.

However, US primacy does not signify that the US is able to lay down the law to others, to impose its will on others, or let alone the major regional powers. Even though the US has taken steps to improve its alliances and to reinforce its military relations with strategic partners in the region, it is experiencing that its interactions with its regional allies are becoming more complex and conditional. For example, the US cannot automatically rely on the support of its allies in Asia in a confrontation with China, because US allies do not want to be positioned in a situation, where they have to choose between the US and China (Simon 2008).

Yet the US remains the central power in Southeast Asia in soft as well as in hard power (Yahuda 2008: 344). The tsunami disaster of 2004 confirmed that the US alone had the required maritime resources to provide the affected countries in Southeast Asia with the needed assistance. In terms of hard power, it can be argued that US military power guarantee that developing conflicts or disputes in Southeast Asia do not escalate into military conflicts. For example, it is partly the US

alliance with Japan that assures Japan against potential military encounters with China, while on the other hand simultaneously reassuring China against the prospect that Japan may once again develop into an independent regional military power able to intimidate China and Chinese interests in the region. Likewise, it is the insurances provided by US naval power that has smoothed the progress of the commitment of China by Southeast Asian states, who as a consequence are less anxious of being embraced too closely by China.

The US, which maintains relatively good working relations with both China and Japan, is, in effect, the guarantor of strategic stability in the rivalry between the two major powers of the region. China is anxious that the US-Japan alliance may not act as a constraint on Japan, but to a certain extent may lead to a reinforcement of Japan, so that the US-Japan alliance could better function as a containment *vis-à-vis* China. In the nonexistence of the improvement of a deeper strategic understanding between China and Japan it is up to the US to manage this delicate relationship (Pempel 2010).

India is also engaged in competition as well as cooperation with China. But the competition is less intense than between China and Japan. However, part of the explanation, why a newfound Indian presence has been welcomed in Southeast Asia, is that it is seen as another restraint against potential Chinese dominance (Yahuda 2008: 348).

None of the major Asian powers are openly challenging the US. China has, with its main focus on domestic development, cultivated good relations with all its neighbours, central to that has been to preserve good working relations with the US (Bates 2007). The fact, that China's trade with each of the US major allies and partners in Northeast Asia (Japan, South Korea, and Taiwan) has exceeded the value of their trade with the US, is not without its political consequences, particularly, because as the trade gap between US and China continuous to increase.

Strategic thinkers of varying schools of thought have all argued that the US has played a role concerning the SCS, although they hold opposing views in their interpretation of the US influence. One important effect of the perception of the US as a safeguard against a rising China is that it has given rise to a sense of security within ASEAN, which has created more space for ASEAN to constructively engage China, as the feeling of security has limited the anxiety of becoming more dependent on China. It has also been valuable for China in its efforts to engage the ASEAN states without generating further anxiety about its intentions (Simon 2008). However, the improvement of China-ASEAN relations since the late 1990s shows that the significance of the US based security should not be overestimated. There is no question about US military superiority, but as the US interest arguably is restricted to the continuation of the status quo in the region, its involvement can only be expected in acute situations. Indeed, in the case of the SCS, the US has not recognized any of the claims of the various states, and there are no commitments beyond a possible

intervention, if the situation in the SCS would jeopardize the freedom of navigation of the SLOCs. Furthermore, the US is reluctant to get involved further than conflict prevention, and it has done little to resolve the underlying issues.

The level of intensity in the SCS dispute has not corresponded to a real risk of an escalation large enough to trigger a US reaction. Since China-ASEAN relations were altered in the late 1990s, the US has been of modest, or no, significance for the developments in the SCS. This lack of interest was obvious after the US refused to offer its Philippine ally support during the 1995 Mischief Reef incident (Storey 2008), but recent announcements from the US administration have given suggestions of a change in the US strategy and interest in the SCS. The US interest in the SCS derives not only because of SLOCs but because of an interest in containing China.

Vietnam and the US held joint naval activities in July 2011 (AFP 2011), and the US and the Philippines held in June-July 2011 an 11 day maritime security exercise near disputed waters in the SCS. According to US Secretary of State Hillary Clinton, US is determined to support its old ally in the midst of growing tension between China and its neighbours in disputed areas of the SCS (Reuters 2011). Secretary Clinton, however, has further stated that the US has a national interest in freedom of navigation, respect for international law and lawful commerce without hindrance in the SCS. According to Hillary Clinton, US promises to support in boosting the Philippines' military capabilities; and the US is prepared to consider providing the Philippines, which has limited naval capabilities, with additional assets to help provide for the country's defence (Gollust 2011).

When considering the underlying explanations for the lack of war during the 1990s, it must be kept in mind that the Chinese navy was still rather weak. Most decisively China had at the time no blue water capability, and for that reason, it lacked ability for a longstanding forward presence, therefore, it is highly dubious that China would have been able to protect the far huge maritime area including the Spratly Islands and the Paracel Islands, something that China might even have a difficulty in accomplishing today. According to several Chinese scholars the US strategic authority and the US tendency to support other claimant states have encouraged the various states to additionally strengthen their sovereignty claims, further support their de facto occupation, and unilaterally exploit energy resources (Cai 2009; He and An 2010).

The Role of ASEAN States

The distrust between the major powers and their attempts to hedge against each other have ironically both defined and enlarged the room within which the small and middle-sized powers can manoeuvre.

The leadership role allocated to ASEAN in the key regional associations arises to a smaller amount from the inbuilt qualities of ASEAN itself, than from the malfunction of the major powers cooperation and ability to agree on how to handle the regional leadership issues. Yet, ASEAN has set

the terms for the way, in which the regional associations conduct their affairs. The ASEAN *modus operandi* (the ASEAN Way) has set the norms, ideas, and even an identity that in Constructivist terms are giving a particular character to international relations in Asia. The ASEAN framework offered a forum, through the ARF, for the introduction of China into multilateralism in Asia; rather than following its traditional diplomacy of bilateralism in its dealings with neighbours, where Chinese power could be used to take advantage of differences between them, the Chinese choose from 1995 onward to deal with the ASEAN countries on a multilateral basis. This approach was later extended to negotiations on several aspects concerning the SCS, although the Chinese have continued to argue that territorial disputes should be dealt with on a bilateral basis (Yahuda 2008: 349).

While some Southeast Asian states have followed a counter China hedging strategy, most ASEAN states have chosen not just an engagement policy towards China, by tying it into a web of intraregional instruments, but also tried to attach other major powers into the regional order. Southeast Asian states want the US to remain occupied as the region's primary power; in the regional hierarchy China is still number two according to ASEAN (Goh 2007/08).

Indonesia, Malaysia, the Philippines, and Singapore responded to the rise of China by following a more dynamic defence and security collaboration with the US to be engaged in Southeast Asia as a balancer, for organizing annual military exercises between the US navy and ASEAN member states, and joint security planning (Roy 2005).

In sum, the altered security objectives and the competition between the major Asian powers have allowed room for the lesser powers in the region to hedge against the major powers and to follow independent policies, occasionally to the annoyance of the great powers. The distrust between the major powers has also permitted the lesser powers in Southeast Asia to develop their own regional shared identities that have helped fashion the conduct of the major powers.

A major US withdrawal from Southeast Asia would not, by design, give way to a Chinese regional hegemony, because Japan and South Korea may in such a scenario upgrade their military capabilities and nuclear capabilities, which is not in the interest of the Chinese. The US military presence does intimidate China's possibilities of protecting its SLOCs and put further pressure on the other claimant states in the SCS. Furthermore, the US-Japan alliance also benefits China by permitting Japan to use less on defence and thereby avoid further military spending, and adding to regional stability. Therefore, China is likely to accept a continuing US presence in the region.

IX Discussion Concerning China and the South China Sea Disputes

The realist paradigm focuses above all on the capabilities of claimant states as indication of their capability and willingness to escalate a dispute. In the 1990s, the emergent naval capabilities of claimants to the Spratly Islands were a warning of rising tensions in the SCS. Despite its growing naval power, China's power projection capabilities were too little in the face of regional military improvements and US military presence in the region (Chang 1996). A continuing war in the SCS would, furthermore, have had a negative influence on China's national growth, a CCP core interest (Leifer 1995).

After the 1997 Asian Financial Crisis and the following reductions in defence spending by Southeast Asian countries, realist analysis argued that the US military presence in the region would prevent Chinese hostility in the SCS, despite US unwillingness to become involved on the Philippines' behalf (Auer and Lim 2001). In the aftermath of Chinese occupation of Mischief Reef in early 1995, the US stated its interest in the freedom of navigation and urged all parties to hold back. In a realist view, a state's willingness to escalate a military conflict concerning a disputed territory has to do with its military capabilities and its strategic interests (Jae-hyung 2002).

Realism, furthermore, argues that overlapping maritime claims are exceedingly explosive due to the increasing energy needs of Asian states, which is verified by the growth in defence spending. According to Michael T. Klare (2002: 109-37), the SCS is a very unstable setting because of the area's energy resources and an apparent willingness by the claimant states to use military force to guard its claims, and this argument is, furthermore, supported by assessments that point to an emergent "energy nationalism" across Asia (Herberg 2004). These arguments fall short of dealing with two elements put forward by other IR paradigms. First, a realist analysis ought to draw attention to the strategic and military complications related to the extraction and the defending of sea based deep water oil resources. Second, the liberal focus on economic interdependence as a strong explanatory influence in securing stability across otherwise politically tense relations among the claimant states, liberals ignore the argument that territorial issues concerning natural resources have a high likelihood of resolution, rather than conflict, because of the prospects of joint agreements (Valencia 2004).

Although, realist analyses usually underplay domestic sources of state actions, the various sources are of interest to area specialists. China specialists have argued that China's policy in the SCS pursues a varied pattern. Concerning the disputed territory, the Chinese leaders are willing to use force, while diplomatically demonstrating a willingness to discuss the issue within bilateral conditions, often concerning joint development ventures. At the same time, China is not willing to give up its claims to sovereignty and pursue to improve its military, while by and large moving away from a provoking approach. This strategy is according to M. Taylor Fravel (2005) a sign of

regime insecurity regarding China's borders; its leaders have a vision of what modern China ought to look like and are unwilling to reconcile on alternatives.

China makes use of its naval resources to increase its physical existence in the area in order to reinforce its claims. This is a modest version to realist expectation that the islands will be used for power projection. As You Ji (2002: 15) observes, "*the PLAN's [PLA Navy] presence in the Spratlys is more political than military for the time being*". The Chinese rejection of negotiating matters of sovereignty is maintained by a measurement, of where the SCS fits in the Chinese national consciousness (Kim 1998). China's occupation of Mischief Reef in 1995 is seen by realist analysis as a test of the US-Philippine defence agreement. This is based on Eric Hyer's (1995) conclusion that China would grow to be more assertive concerning its maritime claims, given the reduced US military presence in the region and Vietnam's entry into ASEAN in 1995. Area specific assessments are informative, because they emphasize the domestic sources of state behaviour. However, it can be prone to assumptions; for example, one analyst has hypothesized that the occupation of Mischief Reef was because of internal political manoeuvring during the post Deng leadership transition (Storey 1999: 100).

While China has steered clear of binding settlements on the SCS dispute, it is important to look at the political expenses, China would bring upon itself, if it chose to change the status quo in the SCS. A calculation the Chinese leadership did in 1995; whether they are ready to do the same again remains to be seen. In the beginning of the 21st century the Chinese, on the contrary, chose to soften regional concerns about China's rise and its later attempt to seize the initiative from Japan by signing ASEAN's TAC (Shambaugh 2004/05: 75).

In explaining the emergence of ASEAN, Amitav Acharya notes, that even if ASEAN at most is a growing security community, the organization cannot be understood by liberal explanations. The common norms and values collectively shared by the ASEAN member states are not democratic or interdependent but, instead, a commitment to economic development, security and political stability (Acharya 2001: 34). However, while constructivism offers forceful explanations of ASEAN's dynamics, it is likely to overemphasize the influence of shared norms and values. While ASEAN has made noteworthy progress in engaging China through workshops on the SCS issue, regardless of China's earlier lack of interest in engaging its Asian neighbours, China's occupation of Mischief Reef in 1995 was seen as a policy change by constructivists, since China previously had steered clear of military confrontation with ASEAN states (Ong and Hamzah 1996: 28). Although it has been argued that ASEAN together communicated a strong protest concerning the Mischief Reef occupation, it did not have much influence on Chinese behaviour, as China upgraded its shelters on the reef in 1998 (Storey 1999: 108-9). Furthermore, according to Leszek Buszynski (2003) the situation leading to

the 2002 DOC in the SCS would not have been achievable without the US balancing Chinese power in the region.

The unwillingness of both China and ASEAN states to sign binding agreements is indicative of the unease between ASEAN member states and China, but also within ASEAN itself. Several analysts have noted that the SCS disputes have uncovered internal division within ASEAN over how to cooperate with or balance China and the role of the US in Southeast Asia (Odgaard 2003). According to Daojiong Zha “*none of the four ASEAN claimants has shown any inclination to compromise with each other on the issue of sovereignty of over the Spratly feature or maritime space*” (Valencia and Zha 2001: 94). Most tension in the SCS has been involving China, Vietnam, and the Philippines, whereas the rest of the claimants in general have kept away from generating tension with China over the issue.

Concerning the effects of the DOC not much have happened. China has entered into joint exploration projects with Vietnam and the Philippines, which consist of some disputed areas, even though little progress has been made towards realization. According to Ralf Emmers, the question of sovereignty concerning the claims is not a direct risk to the national security of the majority of the ASEAN states, which hold individual agendas concerning their relations with China (Emmers 2005).

In addition to the tension within ASEAN, different readings of the international norms have intensified the SCS dispute, even though all parties have ratified UNCLOS except Taiwan. Contrary to the constructivist argument concerning increasing focus on shared norms and values, Southeast Asian states maintain to focus on national sovereignty and to support clear demarcations of the borders (Carlson 2003). The above realities equally obscure attempts to settle the SCS disputes or to administer the eruption of conflict through the establishment of a normative framework.

The driving force for a temporary solution is that the status quo is unstable and may perhaps lead to conflict. A status quo may be tolerable as long as relations among the claimant states are not unfriendly. The status quo or do-nothing approach is dangerous and unstable, if status quo is the standard norm, acquisitions of military equipment might moderate, which might produce a regional advantage in military manoeuvres such as the construction of ports and airports on the islands; fishing in sensitive areas; and on seismic surveys and drilling in or near disputed islands or waters. These activities are all taking place despite the claimants’ agreement on not to undertake actions that might destabilize the situation. This explains partly some of China’s assertive behaviour. The status quo is beneficial to the claimant states that can use the breathing space to silently build up their economic and military power. It also favours China’s step-by-step approach towards a leading naval role. Consequently, it could sooner or later lead to a de facto Chinese control over much of the SCS.

X Optimism or Pessimism

While the US remains the region's most powerful player, as measured by economic and military capabilities, many Asian states see, US diplomatic influence to have declined, not least during the post-Cold War era (Shambaugh 2008: 11). Realists advocate containment: some advocate hard balancing, others advocate hedging or soft balancing (Friedberg 2005), while a third group believes that the US and China are not per se trapped in a security dilemma (Shambaugh 2007). Strategic hedging can generate a different result, than what was intended; leading to countermeasures, and thereby, a larger focus on military outcomes and structural inflexibility in the region. When state's defensive behaviour is analysed offensively by other states, it might lead to counteractions; therefore, China needs to step quietly.

Though the vast majority of analysts do not expect a major war in Southeast Asia, many believe that island and maritime disputes threaten the peace and prosperity of the region. Nevertheless, dark clouds are unlikely to descend on Asia's maritime scene anytime soon, because the region has several pathways that can facilitate the situation. These pathways may be deeply tested, if US hegemony vanishes; and in such an event, the region's major powers may assume balancing roles. Alternatively, they may have to develop new institutional arrangements such as a concert of powers to openly deal with the demands. Muthiah Alagappa (2003a: 20) writes that *"over the last several decades considerable progress has been made in many Asian countries in building nations, constructing viable political systems, and strengthening state capacity."* He also observes that consolidation is not complete in all states, and that the process of consolidation can be predictive of conflict.

While the risks of conflict have been reduced since the Mischief incident in 1995, there are no effective regimes for the management of the various elements concerning the different interests in the SCS: the safety and security of SLOCs, the protection of the marine environment, agreed activities for the exploration and exploitation of marine resources, the hindrance of prohibited activities at sea, and the performance of marine scientific research. Current events, not least the PBB and the reactions to it by China and Vietnam, reinforce the pessimistic outlook.

Regardless of improvements since 1995, such as the DOC and cooperative arrangements, there still is a long way to go concerning the SCS. Successful supervision of maritime areas usually flows from having settled limits to national jurisdiction; however, maritime boundary making in the SCS is difficult. Straight maritime boundary lines, as is normal between two claimant states, are a doubtful scenario for the SCS, due to the area's geography. The sea is squeezed in between the Southeast Asian mainland and off-lying archipelagos with each their different claims to parts of the area, and furthermore, each claimant state continues to seek strict border lines and exclusive jurisdiction to their maritime zones. The claimants dwell steadfast to a nationalistic approach to

their claimed waters and are unenthusiastic to get on with proposal that may well show to compromise their sovereignty. According to Mark J. Valencia, *“Indeed, when countries in Asia think maritime, they think first and foremost about boundary disputes, not protection of the deteriorating marine environment or management of dwindling fisheries. It is these perceptions that must change”* (Valencia 2000: 2). In the nonexistence of settled borders and with very little odds of reaching an agreement, which is not founded on unilateral jurisdiction and solitary rights of the resources, it is crucial to find other ways of supervising the disputed SCS.

There are major obstacles that hinder progress to functional cooperation and joint development between the claimant states. First, nationalist reactions can happen to be an important obstacle to a future resolution of the disputes and even efficient cooperation. Public expressions of nationalism wipe out the political motivation and work against cooperation and dialogue that will be seen as weakening national independence. According to Geoffrey Till, *“claims to the sovereignty of islands can be important symbolically, perhaps especially in times of national difficulty”*²¹ (Till 2009: 38). Second, the most inflexible obstacles are the range of claims to all features in the SCS by China, Taiwan and Vietnam, where China sees Taiwan’s claims as an extension of its own claims. If the various claimants do not change their attitude towards their claims, there will be few scenarios for resolving sovereignty in the near future, but even worse is that they make practical collaboration more difficult.

Numerous aspects of the above analysis put forward the need to focus on many variables from across IR theory. Firstly, territorial contiguity continues to be important; since UNCLOS provides every country the right to claim a 200 nautical miles EEZ. Territorial community cooperation, in the maritime sense, can be any two states whose EEZs border each other, which are states up to 400 nautical miles from one another. Territorial contiguity in the maritime context is challenging, because while the ASEAN states with claims to the Spratly Islands could be considered contiguous; China and Taiwan, who are beyond the 200 nautical miles criteria, are not contiguous with the ASEAN claimants (see figure 4). Therefore, contiguity in the maritime sense is one element. Another element is the reality of opposing or overlapping claims in the SCS, such as territorial seas, continental shelves, EEZs, and contiguous zones. Each of the claimant states must judge itself to be entitled to one or more of the zones: either for geographic reasons, in the case of the continental shelf, or because of one or more interpretations of international law such as historical title. Secondly, the *type* of border matters. According to Harvey Starr and G. Dale Thomas (2005) the definition of a border must capture its characteristics. Therefore, in a maritime border case, the description of a border must contain physical elements such as the existence of resident fishermen in the area, or buildings.

²¹ National difficulty - such as social instability with huge demonstrations concerning the rights of workers, low wages, and not least rising food and oil prices. The rise in oil prices makes the booming Asian economies very vulnerable.

Third, capabilities are of particular relevance, because of the expenditure of power projection and naval capabilities necessary to start and follow a territorial claim. The capabilities necessary to achieve military objectives across bodies of water may be impossible for most Southeast Asian states. Mearsheimer (2001: 114-28) has argued that *“the stopping power of water”* carry on preventing even great powers from accomplish their military objectives across bodies of water. Likewise, capabilities impact on willingness, as states are unwilling to start conflict in the face of severe power imbalances. In the SCS, all claimant states, except Brunei, have militarily occupied various features in the Spratly Islands; such occupations might be viewed as a balance of power. Arms races and the security dilemma are important elements when analyzing the situation in the SCS. Nevertheless, the non-existence of an arms race in the area, latest joint exploration projects, plus the balancing behaviour of ASEAN signifies that it is not the case, but it can easily change.

Fourth, exposure is a measure of the significance of a territory to a state. All Southeast Asian states watch their maritime boundaries, and the regular confrontations in the SCS, involving navies and non-military vessels, show that these patrols are highly prioritized.

Fifth, the relational value of territory may be higher to one claimant than to another, as it may form part of the national identity, and may be a matter of domestic political reflections. In the maritime sense, states declaring claims purely due to the economic value of an area may find heavy opposition from states, who claim the area as part of its historic heritage, such as Vietnam, Taiwan, and China. However, the internal state dynamics restrain or encourage state leaders to pursue territorial claims, and as Muthiah Alagappa (1998: 64) has argued, Asian leaders see political survival as a part of state security.

XI Conclusion

Bilateral territorial disputes used to be the most serious threat to the security order in Asia. Today most territorial disputes are latent rather than active sources of conflict in the region for several reasons. The change of states' desire to create a peaceful and stable environment for domestic modernization accelerated the pace of conflict management and resolution concerning territorial disputes. The intrinsic and relative value of the traditional border has been minimized because of a revolutionary development of transport, communication, and military technology. States are more willing to make concessions of land, if it is not strategically or economically vital; but given the increasing importance of ocean resources and the globalization of the world economy, countries in the region tend to attach more significance to maritime disputes.

Territorial justifications for war image territory as a very important subject to governments. All else being equal, governments are more likely to incur expenditure and take risks on territory than on additional matters. Furthermore, disputes over territory are more likely to entail a military dimension, and, once militarized, territorial disputes often spiral into war. Territorial border issues matters in territorial as well as in maritime disputes for several reasons, because it approves relations across a border: The type of border terrain is important, because it has a say concerning motivation; relative military capabilities matter because of the ability to use military power; the importance of a territory concerning material value has a say because of willingness; and a state's willingness has to do with domestic politics, which can either help to resolve or escalate a given dispute.

China regards the SCS as lost territories that once again should be part of China like other lost territories such as Taiwan and the Diaoyu/Senkaku Islands in the East China Sea. However, with China's more prominent power position in the region, it has recognized the complicated nature of its power. China states itself as a responsible great power bent on building a harmonious world while its peaceful rise, and so it recognizes the need of reassuring neighbouring countries, which have overlapping claims in the SCS, and the US.

There are signs of Chinese assertiveness, but there are no sign that China is taking the risk of sacrificing its domestic economic growth by taking a coercive approach in the SCS disputes. China will for sure play a central role, whether there will be war or cooperation in the SCS. As its maritime economic interests such as resources, naval power and law enforcement capabilities grow; China is to be expected more assertive in the coming years. But at the same time, the CCP leadership recognizes that it has other even more vital strategic and political interests to take into consideration, therefore, the demonstration and growth of Chinese assertiveness will likely be incremental and limited. Chinese assertive actions do and will most likely doubt continue to raise anxiety in Southeast Asian states and encourage countermeasures on the part of these regional

states, perhaps with implicit or explicit support from external powers such as the US. On the other hand, given China's strategic concerns in East Asia and the CCP's first and foremost priority of domestic economic development, China will most likely seek to flex its muscles in a limited way and avoid any dramatic acceleration of its maritime disputes in the SCS.

China's SCS policy since the aftermath of the seizure of Mischief Reef, by and large, reveals, how activism has been balanced with watchfulness to improve the regional environment through a steady and patient diplomacy rather than confrontation. It is a soft power policy, supplemented with a continuing hard power drive building on a stable strengthening and modernizing of the PLA Navy to slowly increase its maritime control. China has implemented a combination of political and military strategies that have clear links with the Taiwan issue.

In some respects, China possesses strong soft power resources, in particular its long history, its culture, language, and the economic success of the Chinese development model. However, on the other hand, China can be described as a fragile superpower, because its leaders appear to have a profound sense of domestic insecurity. The Mischief Reef seizure in 1995 was a reef too far away for the Chinese Communist Party (CCP), whose leadership, over and over again, underlines the importance of a continuing stable peripheral environment to realize the all important goal: economic growth and political stability.

Given the changes in the SCS disputes since the late 1990s, the two trends, growing Chinese assertiveness and the amount of interdependence that is seen in the region, are likely to bring about new dynamics in the SCS dispute. In the coming years, it will be a test for China, in terms of, how it will find a balance between its growing tendency to demonstrate a more assertive position and existing political willingness for cooperation. It will also be a challenge for Southeast Asian claimant states in how to respond to the changing Chinese approach to the disputes.

In the light of an absent code of conduct concerning the SCS, the DOC might well be the best option for the various claimant states, as it reveals the willingness to uphold the status quo, which may perhaps be the foundation for a future code of conduct. The most likely scenario for the future of the SCS disputes is the status quo, where talks maintain but stay informal and focused on technical issues. One could argue that this situation is tolerable, at least in the short term, and that the claimants may continue to satisfy their domestic population by remarks and statements but will avoid armed conflict because of the political and economic costs involved. This involves living with the status quo, until improved political and economic relations reduce tensions and the likelihood of conflict. The essential problems concerning the SCS disputes stay unsettled and are without difficulty open to be manipulated to gain political leverage in a domestic setting.

The SCS dispute is an awfully complex issue, because of the various claims to the same islands and waters, and it is not viable to anticipate any final solution in the foreseeable future, even

though it is put on the agenda for the regional meetings that are scheduled for the coming four months. Over the years, disagreements among the claimant states have never stopped, even though, it has been downplayed for the last decade until 2009. Any action by one party, whether it is symbolic acts to show a powerful authority or to exploit the islands or waters for economic purposes, has at all times resulted in a strong diplomatic response from other parties. The repeated frictions, however, cannot obscure the fact that the various claimant states have managed the disputes for the last 15 years fairly well. No major military conflict has taken place, there have furthermore been some positive developments in the area concerning joint development projects, and the level of interdependence has increased dramatically. Fortunately, political leaders have recognized the costs and risks of escalating the disputes and have opted for ways to uphold the overall stability in the region. Ultimately, political decision makers will have to realise that no country has a perfect claim in the SCS, and that they, therefore, need to compromise for the chance of a code of conduct to be realised.

The US has had an important role in creating a sense of security in Southeast Asia, thereby, making room for the ASEAN states to engage China and vice versa. With the exception of the SCS in the 1990s and in a minor degree events since 2009, the relations between the disputed parties have been at a level, where their actions have not endangered US interests and the possibility for US interference, whether that will continue, or other claimant states will use a US alliance to be more assertive, is still to be seen.

As a consequence of China's efforts in handling disputes over maritime boundaries with other claimant states, while supporting its interests in the region, has shown some Chinese flexibility by suggesting to stop the disputes and work for joint development, as China has done with Vietnam and the Philippines. Attaching increased weight on good neighbourhood relations and at the same time maintaining its claims in the SCS, China applies an approach to power and influence as foreign policy means, which is intended both at tackling other states' anxiety about the impact of a more powerful China and reinforcing China's long term position.

XII Perspectives

In the last several months, a number of episodes, which emphasize what, appear to be an increasing readiness on the part of China to use its enlarged military power to pressure and persuade other claimants (predominantly the Philippines and Vietnam) in the disputed SCS have taken place. Chinese officials and scholars have also mentioned the mantra of joint development, possibly indicating that the rationale behind the strong pressure is to force Vietnam and the Philippines back onto this track of joint development and away from independent exploration, following their earlier trilateral collaboration for joint seismic research in the Philippine EEZ.

China and ASEAN claimants are both searching for regional stability, but sending more warships into the SCS does not produce a stable environment for dialogue. Given the recent developments in creating a tense atmosphere in the SCS, there is a necessity for the various claimants to pursue discussions, as the 2002 DOC has possibly already been surpassed by events such as the PBB, an increased number of Chinese surveillance ships, the cutting of cables of a Vietnamese ship etcetera. The claimants each wish to exercise sovereign rights and to be present in the SCS and, at the same time, find a solution to their disputes through dialogue. For that to happen, they ought to look at the subject from each other's viewpoint; here a Chinese clarification of its maritime claims would be of great help as well as avoiding statements such as "core interest". The ASEAN claimants need to consider possible consequences of angering China, whom "resents" an internationalization of the disputes, before bringing the US back to the negotiation table (Chen 2011).

The other claimant states to the SCS, singlehandedly or collectively, cannot equal Chinese naval power; therefore, they try to resolve maritime disputes with China on a multilateral basis. China maintains that territorial disputes ought to be settled by the states directly involved. China is against multilateral negotiations, because territorial disputes in the SCS are not an issue involving China and ASEAN or even less other outside powers. ASEAN claimants, on the other hand, welcome the involvement of the US and other maritime powers, and they argue that outside powers are rightful stakeholders concerning broader issues that have to do with stability and security in the SCS.

It would be desirable, for the stability of the region, for the claimants to agree on a code of conduct that is in particular committed to the prevention of armed conflict in the disputed areas. China's interests in the SCS, as well as everyone else's, will need to be dealt with through dialogue and negotiation. The difference between the DOC and a code of conduct is that the latter is thought to be a more binding document, something which China opposed in the discussion leading to the DOC in 2002. But unless a future settlement has treaty status, it is uncertain how a code of conduct can be enforced. A more practical and realistic approach would most likely engage increased

cooperation among the claimants in all areas, although, there have been several episodes of conflict escalation between claimant states (even among ASEAN states) in spite of growing economic interdependence.

A way out of the present deadlock may be a cooperative management regime, where elements such as development of oil and gas resources, fishing administration, marine protection, law and order at sea, marine scientific studies, and preservation and protection of the marine environment are included. An obstacle to such an approach involves dialogue, negotiation, and a lot of compromise; because the claimants to the various islands and reefs in the SCS all assert their own claims as legal and valid. Nevertheless, any adequate scenario will be a compromise between China's preference for a "Chinese lake" to defend its southern flank and the anxiety of Southeast Asian states over a Chinese attendance in the maritime heart of Southeast Asia. But until such an agreement is reached, large areas of sea are left with no effective resource management, marine environmental protection, or effective countering of illegal activity.

In July, ASEAN begins its diplomatic season by holding a series of summits. These consist of the ARF in July and the EAS in November. China is prone to come under strong diplomatic pressure to strike a deal with ASEAN, so in that respect, the next four months will be crucial. Whether, such a deal is an improved DOC or a more binding code of conduct is to be seen. Otherwise, as ocean water levels continue to rise as a result of melting ice, the result might be that there are no islands or reefs over water to be claimed by any country.

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