

Spratly Islands Dispute

I. CASE BACKGROUND

1. Abstract

The Spratly Islands of the South China Sea are a potential tinder box in the region. Approximately 44 of the 51 small islands and reefs are claimed or occupied by China, the Philippines, Vietnam, Taiwan, Malaysia and Brunei. The conflict is the result of overlapping sovereignty claims to various Spratly Islands thought to possess substantial natural resources -- chiefly oil, natural gas, and seafood. Disputes have been propelled by an aggressive China, eager to meet growing energy demands that outstrip its supply capability. Overlapping claims resulted in several military incidents since 1974 and in several countries awarding foreign companies exploration rights in the same area of the South China Sea. Regional nation-states not directly involved in the Spratly disputes became concerned about regional stability and established a regional forum to discuss the peaceful resolution of the disputes. Sovereignty and exploration disputes were thought to be resolved with the drafting of ASEAN's 1992 declaration which committed members to resolve disputes peacefully and to consider joint exploration of the territory. Military aggression and exploration endeavors conducted by China since 1992, however, have brought into question the validity of the 1992 joint declaration and raises the question of what long-term, peaceful solution could prevent the region from erupting into a continuum of military incidents over sovereignty rights to the natural resource-rich Spratly Islands.

2. Description

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Claims to various islands of the archipelago began in the 1930s. Since the 1950s, the involved claimants have developed 29 oil fields and 4 gas fields in the Spratly region.(1) China's rising energy demands, decreasing ability to meet demand growth with domestic energy sources, and continued reliance on oil have propelled China to look to alternative energy sources -- in particular the relatively untapped South China Sea in general, and the Spratly Islands in particular.

According to Kent Calder, China's energy balance of trade has dramatically deteriorated since the early 1990s, causing China to become a net importer of oil for the first time in over 25 years.(2) Dependence on imported oil is likely to continue, given its low per capita energy consumption rate -- 40% of the

world average. Unless China can find a way of coping with the high start-up costs, waste products and safety concerns affiliated with the implementation of nuclear energy, oil will remain one of China's leading energy sources for the mid-to-long term. (3)

3. Duration: 1992 to now

4. Location

The Spratly Islands consist of 100 - 230 islets, coral reefs and sea mounts (tablemounts).(4) Despite the fact that the archipelago is spread over 250,000 sq km of sea space, the total land mass of the Spratly Islands is a mere 5 sq km. The land is not arable, does not support permanent crops, and has no meadows, pastures or forests.(5) Furthermore, the Spratly Islands have not been occupied by humans until recently. Countries with territorial claims use military means --airstrips and armed forces -- to reinforce their claims.(6)

The Spratly Islands are situated in the South China Sea -- one of the largest continental shelves in the world. Typically, continental shelves are abundant in resources such as oil, natural gas, minerals, and seafood. According to James Kiras, a contributing editor of the *Peacekeeping & International Relations* journal, one study conducted by China estimated oil reserves in the South China Sea to be larger than Kuwait's present reserves.(7)

Oil and natural gas reserves in the Spratly region are estimated at 17.7 billion tons; Kuwait's reserves amount to 13 billion tons.(8) The Spratly reserves place it as the fourth largest reserve bed worldwide.

You can also visit the [CIA World Factbook](#) site for descriptive information on the Spratly Islands' ecology.

Continent: Asia

Region: East Asia

Country: China

5. Actors: China, Vietnam, Philippines, Malaysia

China:

claims all islands in the Spratly region. According to Marcus Hall's "Trouble Brewing in the South China Sea" assessment, China entered the dispute in three phases.(9) The first phase encompassed China's claim to the Paracel Islands (which are north of the Spratly Islands) in the 1950s. The second phase took place in 1974, when China seized the Paracel Islands from Vietnam. The third phase began on 14 March 1988, with China's military engagement with Vietnamese forces over the removal of China's flag from a newly claimed shoal. The military clash resulted in China gaining possession of 6 islands in the Spratly region.

China's claim to all islands in the Spratly archipelago stems from its historical presence in the region, dating as far back as the Han dynasty of the 2nd century, BC.(10) According to Marcus Hall's evaluation, China's historical claim is dubious and neglects similar historical claims by Taiwan, Vietnam and Malaysia.(11) Moreover, China's historical interpretation of its sovereignty rights ignores current international law.

The Philippines:

claim approximately 60 of islands in the Spratly region. Joint exploration with Royal Dutch/Shell Group and Alcorn International near the Palawan Island will raise the Philippines annual oil production from the 3,000 b/d produced in 1991 from 7 wells in the South China Sea.(12)

Vietnam:

claims part of islands in the Spratly region. Vietnam's only oil well in production as of 1991 is the White Tiger field, 400 km west of the Crestone block. In 1992, however, Vietnam hastened leasing to foreign exploration.(13)

Taiwan:

claims all islands in the Spratly region. The Spratly Islands are strategically important to Taiwan for two reasons: (1) important shipping lanes pass through waters surrounding the Spratly Islands; and, (2) the South China Sea, in general, is fish abundant. Thus, Taiwan feels compelled to protect its interests.(14)

Malaysia:

is the earliest oil operator in the sea and claims 3 islands and 4 rock groups in the Spratly region. As of 1992, Malaysia was running 90 oil- producing wells, with \$210 million planned for further development between 1992 and 1995.(15)

Brunei:

claims the Louisa Reef in the Spratly region, located adjacent to its coastline. Brunei became an active player in the Spratly disputes only within recent years. Production of its 9 oil fields in the South China Sea hovers around 143,000 b/d.(16)

Indirect Actors:

the United States:

The United States could become involved on two fronts -- commercial and military. U.S. businesses participating in off-shore exploration in the disputed islands have a commercial stake in how inter-state tension and disputed claims are resolved. On the military side, the United States has a mutual defense pact with the Philippines, yet analysts indicate the Spratly disputes are unlikely to invoke the pact.(17) The United States would, however, likely take action if maritime activity was restricted in a manner inconsistent with international law.

Japan:

Like the United States, Japan has a vested interest in the resolution of the Spratly disputes. The disputed region is located near Japan's principal oil imports' shipping lanes. Moreover, Japanese companies are involved in some of the exploration endeavors in the disputed territory.

ASEAN members:

ASEAN members are concerned that the U.S. withdrawal of military troops from the region and the Soviet Union's disintegration will leave the region without a counterbalance to China.(18) Although many western analysts view China's military capabilities as obsolete, China's military might in the ASEAN region is still superior, both quantitatively and qualitatively.

The following table depicts the military strength of each of the three main actors in the Spratly disputes - China, Vietnam and the Philippines.

Main Actors' Military Strength(26)			
	China	Vietnam	the Philippines
Tanks	9,200	2,000	126

Submarines	51	0	0
Destroyers and Frigates	55	7	1
Patrol and Coastal Aircraft	870	55	44
Combat Aircraft	5,845	190	43
Armed Forces	2,930,000	572,000	106,500

9. Type of Conflict: Interstate

Disputes in the Spratly Islands have revolved around overlapping territorial claims, particularly where potential gas and oil reserves are involved. The Spratly Islands are also strategically situated within the waterway servicing Japan with 70% of its imports from the Middle East.(19)

Disputes have become more frequent in recent years, in part the result of burgeoning energy demands in China. In an article written by Japanese Professor, Shigeo Hiramatsu, China's inadequate domestic oil-refinery and extraction capabilities inhibits China's ability to increase energy production to meet rising demands.(20) Consequently, China must either import more oil and gas, improve its production capabilities, or undertake joint exploration of off- shore areas to develop potential oil and gas fields. Unfortunately, the third option will likely entail exploration in the potentially oil-and-gas-rich Spratly Islands, where territorial disputes are hotly contested.

Economic exploration endeavors appear to ignite the tenuous stability in the Spratly region. China granted oil exploration rights to foreign oil firms in territories with overlapping claims. In 1992, China National Offshore Oil Corp signed a joint exploration contract with Crestone Energy Corp. for a disputed area in the Spratly Islands. The Sino-U.S. contract infuriated Vietnam, who claimed the contract location is part of its exclusive economic zone. The situation was further aggravated in 1996, when Vietnam forged ahead with joint exploration plans in Spratly waters also claimed by China. Vietnam awarded exploration rights to Conoco in 1996, infuriating China. China claims that the area covered in the 1996 Vietnam-Conoco deal overlaps with the block awarded to Crestone Energy by China in 1992.(21)

The conflict is further exacerbated by foreign firms willing to undertake riskier oil development projects in Asia. The foreign oil firms are looking to profit from the current energy boom in Asia as well as to find replacement reserves for those in the United States and the North Sea where production approaches their peak.(22)

Aside from granting foreign firms exploration rights in disputed waters and conducting military exercises in the Spratly area, China has also committed itself to the build-up of its navy and air force. *The Financial Times* reported in August of 1996 that China planned to purchase advanced navy radar from the British. This radar would improve warning signals to China of 'impending' attacks as well as facilitate naval task group deployment in the South China Sea.(23) The islands are particularly strategic to China.

10. Level of Conflict: Threat

1930s

France first occupied various Spratly islands.

1934-1944

During WWII, Japan displaced the French and occupied the Spratly Islands, using the islands as a submarine base. After the war, neither the French nor the Japanese returned to the islands.

1946

Kuomintang forces took possession of the Itu Aba island -- the largest Spratly island.

1968

The Philippines take control of 3 islands.

1973

South Vietnam possessed 5 islands in the Spratlys

1974

China disregards territorial claims by South Vietnam, and occupies the Paracel Islands lying north of the Spratly Islands. U.S. and South Vietnam naval forces clash over island ownership.

1978

The Philippines extend an official claim to islands east of the Spratlys, naming them the Freedom Islands. China removes 6 Spratly atolls from Vietnam's possession.

1979

Malaysia claims its first Spratly island, indicating that the island is part of Malaysia's continental shelf.

1988

China and Vietnam become military engaged over Johnson Reef. China retains occupation of the reef. By April, Vietnam expands claims to include 15 additional reefs. China occupies 6 isles.

1989

International outrage at the Tiananmen Square incident in China calmed China's aggression in the South China Sea, in an attempt to further avoid infuriating international opinion.

1992

The Manila declaration was drafted and claimants agreed to peaceful resolution of the disputes.

1992

On 25 February 1992, China passed the "Territorial Sea and Contiguous Zones" Law, laying claim to all Spratly islands, as well as several other archipelagos.

1992

In May, China National Offshore Oil Corp. signed a joint exploration contract with Crestone Energy Corp. for the 25,1255 sq km Wan'an Bei-21 block in the Spratly Islands.(28) Exploration is set to begin in 1994. Vietnam vehemently opposes this contract.

1992

In July, China occupied Da Lac Reef, serving as its first military presence since the 1988 clash with Vietnam.

1992

In September, China drills on the Vietnamese side of the Gulf of Tonkin median line, violating the 1972 agreement not to drill in disputed waters.

1994

In November, Exxon concludes a US\$35 billions gas field exploration deal in the area north of Natuna Island, a region partly claimed by China. Vietnam signs an exploration deal with Mobil in Vietnam's EEZ, but in waters also claimed by China.

1995

In February, China occupied the Philippine-claimed Mischief Reef in the Spratly Islands.

1995

In March, the Philippine forces seize Chinese fishing boats and destroy Chinese markers on Mischief Reef.

1996

Vietnam's PetroVietnam signed a deal with the U.S.-based Conoco oil company to explore waters 400 km southeast of Ho Chi Minh City.

1997

In March, China allegedly began operating the Kan Tan III oil rig in an area north of the Spratly Islands, but within Vietnam's EEZ.

How the events in the Spratly Islands unfold have far-reaching implications. The resolution of Spratly-related disputes will not only impact the distribution of sovereignty and exploration rights, but also implicate how future economic and security arrangements will develop in southeast Asia.

Joint Development:

A 1992 ASEAN declaration, endorsed by China, stipulated that Spratly-related territorial disputes would be resolved by peaceful means. China, however, proceeded with foreign company contracts to explore areas with overlapping sovereignty claims in 1994, and in 1995 destroyed Philippine military structures and erected Chinese concrete markers on the Philippine-claimed Mischief Reef. These antagonistic moves by China, virtually renders the 1992 joint declaration null and void.

The UN Convention on the Law of the Sea and the World Court:

Issues pertaining to the territorial control of sea waters have long been the subject of international law. Although there are some generally accepted rules of maritime shipping and the extension of a state's territorial limits, emphasis in recent years on potential undeveloped sea resources has generated a number of inter-state disputes around the globe (29) Undersea oil exploration has been particularly contentious. The former Soviet Union in 1960 extended by 12 miles, its territorial waters. Other countries claim a 200-mile off-shore territorial zone. To resolve disputes and regulate issues, the United Nations drafted the Law of the Sea Convention (UNCLOS) in 1982. The UNCLOS is aimed at establishing coastal boundaries, erecting an International Seabed Authority to regulate seabed exploration not within territorial claims, and to distribute revenue from regulated exploration. As of 1990, only 42 of the required 60 ratifications to make the Convention effective were completed.

Article 56 of the treaty outlines parameters for the establishment of a country's Exclusive Economic Zone (EEZ), which extends 200 nautical miles from the country's coastline. Article 56 gives sovereign rights for exploration, exploitation, conservation, and resource management of living and non-living natural resources of waters in the country's EEZ. The UNCLOS further attempts to exclude rocks incapable of sustaining human habitation. The problem, however, stems from the country's right to define the natural feature as a rock or an island.(30)

Aside from defining an EEZ, the UNCLOS also contains parameters for a country's continental shelf in article 77. The continental shelf is defined as the underwater portion of the country's coastal land mass -- including the sea bed as well as the subsoil of the shelf. The deep ocean floor, however, is not considered part of a country's continental shelf.(31)

The third important part of the UNCLOS is Part VI, which justifies claims by Brunei, Malaysia and the Philippines. Justification is based on proximity, not history; hence, China's and Taiwan's historical claims would not likely win arbitrated cases.

In May of 1996, China's parliament passed a resolution to approve the Law of the Sea UN Convention. Signing onto the Convention would enable China to extend its exclusive economic sea zone to 340 km.(32) Yet, it remains unknown whether China will follow through with its pledge to become a signatory.

Aside from the UNCLOS, the World Court (International Court of Justice) could also serve as a conduit to resolve the Spratly-related territorial disputes. In order for the World Court to hear a case, however, all disputants must be willing to permit the Court to hear the case and render a binding decision. James Kiras believes that China will be unwilling to take this conflict resolution route, given that China claims rights to a sea area extending 1,000 nautical miles south of Hong Kong. Kiras cites four motives driving China's resistance to international arbitration: (1) land-based resource scarcity; (2) population growth; (3) aspirations to become a regional naval power; and, (4) territorial claims far exceed anything established in existing international maritime law.(33)

Consultative or Semiofficial Intergovernmental Forum:

Ali Alatas, the Indonesian Foreign Minister, suggested that political conflicts in the region need to be diffused by a consultative or semiofficial intergovernmental forum.(34) China, however, has continued to acquire territory by means of force rather than through diplomatic negotiations. This was evident in China's acquisition of the Paracel Islands from South Vietnam in 1974, and again in 1988 when China clashed with Vietnam over Johnson Reef in the Spratly Islands. See [Time Line](#) for a list of conflicts and disputes. According to a 1995 article from *The Economist*, China has resisted suggestions to expand the purview of ASEAN's Regional Forum (ARF) to include Spratly-related disputes. China emphasizes that the forum is to *exchange views* not to *negotiate*.(35)

A senior fellow with the Programme on International Economics and Politics, Mark Valencia, envisions a cooperative regime, whereby China and Taiwan lay aside their 'historic' claim to the region for a 51% share of the 'multilateral Spratly Development Authority' (SDA).(36) The SDA would be responsible for managing resource exploration and exploitation. The Spratly region would become demilitarized and authority disputes set aside. Mr. Valencia admits that the cooperative regime is not perfect, yet asserts that this type of arrangement should be considered. Otherwise, inaction and gridlock may inhibit the development of a collective security agreement for the region.

Asian Executives Poll:

In a 7 November 1996 poll, 47.6% of Asian business leaders indicated the Philippines had the strongest claim to the Spratly Islands. China accounted for 24.1% of the vote, while Vietnam claimed 13.9% of the vote, Malaysia picked up 9.6%, Taiwan carried 3.6%, and Brunei captured 1.2% of the business leaders' votes.(37)

11. Fatality Level of Dispute: 0

III. Environment and Conflict Overlap

12. Environment-Conflict Link and Dynamics: Direct

To date, military confrontation has been limited and the number of casualties have been low. Yet, failure to peacefully resolve sovereignty disputes places the region in a fragile state of stability. Exploration endeavors undertaken by China in March 1997 increase the uncertainty surrounding China's willingness to cooperate on sovereignty disputes in the South China Sea and raise the question of what are China's larger, regional intentions. In a 1996 analysis of China's military modernization program, author Felix Chang identifies control over the Spratly Islands as a long-term objective of China. According to Chang, China will refrain from igniting a full-fledged military assault until it is certain that its military forces are strong enough to dominate the forces of others.(24)

16. Relevant Websites and Literature

Relevant Literature

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End Notes:

- (1) "Territorial Disputes Simmer in Areas of South China Sea."
- (2) Calder, Kent. "Asia's Empty Tank."
- (3) *ibid.*
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Relevant Web Sites

[Trouble Brewing in the South China Sea](#) by Marcus Hall
[The Spratly Islands Dispute](#) by Rigby Heinemann
[The Spratly Islands Dispute](#) by Nicholas Marsh
[Spratly Islands](#) in the CIA Factbook