

Of Note

Assessing the Risks of Conflict in the South China Sea

Sean Creehan

In exploring hidden risks to the international system, this issue has covered a variety of functional, regional, and theoretical topics; however, with U.S. foreign policy focus shifting to Asia, it is not surprising that many authors draw their attention to the South China Sea. Marvin Ott's "Southeast Asia's Strategic Landscape," Charles Doran's "Power Cycle Theory and the Ascendance of China," Chris Ford's "Soft on Soft Power," and Ian Bremmer's interview all touch in some way on potential conflict in the South (and East) China Seas. As Sino-Taiwanese relations warm following the January 2012 re-election of Taiwanese President Ma Ying-jeou, who has made strengthening ties with the mainland a priority of his administration, the South China Sea will become the preeminent focus of U.S.-China watchers who study potential military clashes between the two countries.

Given the shifting attention to the issue, the risk of conflict in the South China Sea is not particularly "hidden." Indeed, over the last two years, the United States has paid increasing attention to the region, most evident by Secretary of State Hillary Clinton's reassertion of U.S. interests there at the ASEAN ministerial meetings in Hanoi in July 2010¹ and President Obama's emphasis of the same concerns at the November 2011 East Asia Summit.² The essential dynamics are well-covered by popular media and clearly understood from traditional theories of international relations: a rising power, China, competes with a status quo hegemon, the United States, for influence in a complicated multipolar regional context across a variety of military, diplomatic, and economic fronts. The South China Sea is particularly well-suited for such competition as, beyond its large economic and strategic importance as a global crossroads, it is a source of vast, untapped natural resources.

Though the overarching risk of tension in the South China Sea is not hidden, policymakers in Washington should be clear on the actual dangers posed by conflict as they begin to consider future U.S. competition with

Sean Creehan is the Senior Editor of the *SAIS Review of International Affairs*. He will graduate from Johns Hopkins University School of Advanced International Studies (SAIS) in May 2012 with a concentration in Southeast Asian Studies and International Economics. He is a 2004 graduate of Harvard College and proficient in Mandarin Chinese and Indonesian.

China in the region. By realistically assessing the situation and understanding the likely scope of the risk, the United States can better formulate its strategic response, which need not increase the risk of conflict—whether between China and the United States or other countries in the region—but instead can reduce it. As discussed in Ott’s piece, Secretary Clinton defined two U.S. requirements in her Hanoi remarks:

- 1) Free and open access to sea lanes passing through the South China Sea; and
- 2) Multilateral resolution of competing territorial claims according to the UN Convention on the Laws of the Sea.

From these requirements, we can infer the main risks identified by U.S. policymakers and, from there, determine a proportionate strategic response. While a full assessment of strategic options is beyond the scope of this note, the basic risks, simply stated, are a helpful starting point.³

Regarding Secretary Clinton’s first requirement, the risk of actual closure of the South China Sea remains remote, as instability in the region would affect the entire global economy, raising the price of various goods and commodities. According to some estimates, for example, as much as 50 percent of global oil tanker shipments pass through the South China Sea—that represents more than three times the tanker traffic through the Suez Canal and over five times the tanker traffic through the Panama Canal.⁴ It is in no country’s interest to see instability there, least of all China’s, given the central economic importance of Chinese exports originating from the country’s major southern ports and energy imports coming through the South China Sea (annual U.S. trade passing through the Sea amounts to \$1.2 trillion).⁵ Invoking the language of nuclear deterrence theory, disruption in these sea lanes implies mutually assured economic destruction, and that possibility should moderate the behavior of all participants. Furthermore, with the United States continuing to operate from a position of naval strength (or at least managing a broader alliance that collectively balances China’s naval presence in the future), the sea lanes will remain open. While small military disputes within such a balance of power are, of course, possible, the economic risks of extended conflict are so great that significant changes to the status quo are unlikely.

With the risk of military conflict moderated by such mutual economic interest, resource exploitation becomes the main driver of tension, and Secretary Clinton’s second requirement of multilateral resolution of disputed claims becomes the main point of contention.⁶ The South China Sea holds proven oil reserves of 7 billion barrels (worth approximately \$700 billion at current market prices) and an estimated 900 trillion cubic feet of natural gas (worth roughly \$9 trillion assuming a market price of \$10 per thousand cubic feet).⁷ For countries like Malaysia (2010 GDP of \$237 billion), the Philippines (\$199 billion), and Vietnam (\$122 billion), such resources offer tremendous economic opportunity.⁸ To China, with a \$6 trillion economy,

these resources are less valuable for their revenue potential, but they can offer substantial energy security.

Obviously there is much financial gain to be reaped from these natural resources. Potential gains, however, cannot be realized if ongoing territorial disputes let resources sit beneath the sea idly. Instead, these countries need to work out agreements to share the wealth. As Asian energy demand is projected to double from its 2008 level by 2035, the pressure for the claimants to settle will only increase.⁹ From the perspective of non-claimants like the United States, tapping the natural resources is most important, as an increase in supply will relieve upward pricing pressure on energy markets. It is thus important for all involved parties that there be a successful resolution to claims ratified by all claimant states. One should also note that, beyond encouraging multilateral resolution to disputes in the Sea, the United States can add to its credibility on the issue by ratifying the UN Convention on the Law of the Sea, which it signed in 1982 but has yet to ratify some 30 years later.¹⁰

Conclusion

The above analysis omits discussion of a large number of related issues that amplify the geopolitical importance of tension in the South China Sea, from recent U.S. diplomatic overtures in Myanmar—where China has operated relatively unfettered for many years—to Chinese reliance on Iranian energy. Given the many global fronts of U.S.-China competition, isolating the risk of disruption to Southeast Asian sea lanes or the opportunity cost of squandered offshore energy resources is, in some ways, overly simplistic. Nonetheless, when listening to representatives of any government assess the risks of tension in the South China Sea, or use these regional disputes for broader geopolitical aims, it helps to remember that there is much more reason for cooperation than conflict. This does not suggest any reduction of existing U.S. engagement in the South China Sea, but it does imply that promoting U.S. interests need not inevitably lead to a clash with China.

Notes

¹ Hillary Rodham Clinton, "Remarks at Press Availability," Hanoi, Vietnam, July 23, 2010, <http://www.state.gov/secretary/rm/2010/07/145095.htm>.

² Jackie Calmes, "Obama and Asian Leaders Confront China's Premier," *New York Times*, November 19, 2011, <http://www.nytimes.com/2011/11/20/world/asia/wen-jiabao-chinese-leader-shows-flexibility-after-meeting-obama.html?pagewanted=all>.

³ There exist many comprehensive assessments of U.S. strategic options. For example, see Patrick M. Cronin, "Cooperation from Strength: The United States, China, and the South China Sea," Center for a New American Security, January 2012, <http://www.cnas.org/node/5641>.

⁴ Global Security.org, "South China Sea Oil Shipping Lanes," <http://www.globalsecurity.org/military/world/war/spratly-ship.htm>.

⁵ Op. cit. Cronin, "Cooperation from Strength," p. 5.

⁶ While important to consider in a broader assessment of risks in the South China Sea, competition over natural resources is better understood as an existing opportunity cost of continued tension in the region rather than an active risk, the focus of this issue of the *SAIS Review*.

⁷ Op. cit. "Cooperation from Strength," p. 5.

⁸ World Bank DataBank, <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

⁹ "Asia energy demand to double to 9 bil mtoe by 2035," *Platts*, April 18, 2011, <http://www.platts.com/RSSFeedDetailedNews/RSSFeed/Oil/8805632>.

¹⁰ The Convention went into effect in 1994 after ratification by 60 signatories.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.