# Maritime Security in the South China Sea

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## Introduction

I have been asked to present today on security issues in the South China Sea. Such discussions could be done in general terms, with discussion of ‘vital trade routes’ or ‘critical sea lines of communication’. Those turns of phrase are routinely used in Australian strategic documents in discussing the rationale for strong naval forces. I could also discuss non-traditional security and the role of non-state actors, such as pirates. The traffic heavy sea lanes of Southeast Asia continue to attract substantial numbers of pirates and I was surprised to learn that it is far [from being a declining problem in the region](http://time.com/piracy-southeast-asia-malacca-strait/):

Southeast Asia was the location of 41% of the world’s pirate attacks between 1995 and 2013. The West Indian Ocean, which includes Somalia, accounted for just 28%, and the West African coast only 18%. During those years, 136 seafarers were killed in Southeast Asian waters as a result of piracy — that’s twice the number in the Horn of Africa, where Somalia lies, and more than those deaths and the fatalities suffered in West Africa combined.

But while there’s obviously work to be done to counter the threat of piracy, we should also keep it in perspective. It is estimated that piracy extracts around $10 billion per year from the world economy, which [has around $18.8 trillion in total exports](World%20Trade%20Organisation%202014%20figures.%20https%3A/www.wto.org/english/news_e/pres14_e/pr721_e.htm). Piracy isn’t going to ruin the world economy, or even make significant dents in Asian trade. The appropriate response is to help regional countries to share information and build capacity to police transit routes, with resources proportionate to the threat.

Realistically, only states have the ability to seriously threaten trade or upset the established security order. As far as trade is concerned, I don’t subscribe to the school of thought that says that each nation can guarantee its trade security through naval strength. (Although that won’t stop navies around the world from arguing the case in order to win resources.) Given the evolution of modern surveillance and targeting capabilities and the vulnerability of surface vessels, any modern navy has the ability to credibly threaten shipping, and the sheer volume of world trade makes it practically impossible to protect it directly.

Instead, the main security guarantor of trade is the inbuilt ‘mutually assured destruction’ that comes from any serious disruption of globalised trade. If trade stops, nobody wins. That doesn’t mean that no one would interfere with trade in any circumstance, but it does mean that the cost of doing so is high, making large scale interference with trade routes or shipping unlikely in anything but extreme circumstances. So trade isn’t at the centre of today’s discussion either.

## China’s military power and regional ambitions

I think we all understand that the South China Sea issue most requiring analytic attention is the activity going on in support of claims of sovereignty, particularly those by China. In short, China is trying to physically dominate the South China Sea region, effectively trumping other claims by virtue of presence and inertia. In so doing, they are also throwing out a challenge to the model of maritime security in the Asia-Pacific region that has been underwritten by the capability of the United States Navy for the past 70 years.

That reflects the unusual circumstances that prevailed at the end of WW2, where all the Asian powers were weakened by years of war. It was a local manifestation of a global rewriting of the world order which had the United States as the dominant power everywhere but Eastern Europe. The global economic system defined at Bretton Woods reflected the unrivalled financial strength of the post-war United States, and the global trading system became increasingly liberalised. And the net result was the creation of a system in which many nations prospered—not least of which many of those in Asia over the past quarter century.

Today we are seeing the metastable post WW2 order again coming under serious pressure. Ironically, the main challenge is coming from China, perhaps the biggest beneficiary of the order the United States has led. It was always the hope—and probably expectation—that the PRC would 'normalise' into the world community and become a partner in the order from which it had benefitted so much. I think it's fair to say that most of us are disappointed, if not outright alarmed, at the actual trajectory the PRC seems to have chosen for its rise to the top of the list of world powers.

China is throwing out significant challenges in all aspects of national power. Its economic clout is considerable, its military power is growing rapidly, its espionage activities are very successful and it isn't afraid to use any or all of those to pursue its interests. Of course all countries do that to some extent, and we shouldn't be surprised when China puts its own interests first. But what's different, I think, is that China appears to want to be the most successful player in a game in which it defines its own rules, rather than becoming a powerhouse in the order that the rest of us have been happy to operate within.

I recall when Japan was very much in the ascendency in the 1980s. At the time, some commentators thought that [Japan might overtake the United States as the world's dominant economy](http://www.amazon.com/Japan-Number-One-Lessons-America/dp/1583484108). There was some speculation about what that would mean, but nowhere near as much as is currently the case with China. And I think that's because Japan was a very different geopolitical player—its democratic government and general outlook on the world was compatible with the established liberal trading order, and there was no serious suggestion of rewriting the rules.

Of course Japan didn't overtake the United States. It was never going to, given the fundamentals of population size. But precisely because of that, China will become number one, unless something very dramatic happens—and I think that could be worse than the consequences of a continued rise. So we are going to have to work out how we can live with a more powerful China, and what we can do to produce outcomes we can live with. I'm going to focus on maritime security, particularly in the South China Sea, but we should bear in mind that it's only one aspect of a broader set of challenges, and that we probably can't isolate one aspect of security from others.

For a while, we thought that China’s rise and the military power that came with it might mostly manifest as an anti-access and area denial capability that would allow it to hold external powers at arm’s length—no more gunboats in the Huangpu or Yangtze rivers—and allow it to put American forces in the vicinity of Taiwan at risk. I think that was the case before the global financial crisis in 2008. China’s ambitions were relatively modest (although still strategically challenging) because American naval power provided a strong ‘offshore balance’. And there was always a powerful disincentive precisely because of the relative ease of interrupting trade I mentioned before. The [CSBA analysis of the ways in which the Air Sea Battle Concept could be operationalised](http://csbaonline.org/publications/2010/05/airsea-battle-concept/) included the notion of a ‘distant blockade’ of trade, which would be extremely difficult for China to counter effectively.

To some extent, I think we could have lived with a Chinese strategy of A2/AD. Major players all want to be able to dominate at least their immediate environs. But first the GFC and then a resurgence of trouble in the Middle East has distracted the United States, and in the process has made the ‘pivot’ to the Asia–Pacific less impressive than it might have been. That emboldened China to extend its reach and has led to the behaviour that saw this topic placed on the agenda today.

## The South China Sea

Resources and territorial claims are at the heart of this discussion. Resource exploitation is a source of tension in many places, as we have seen in recent years in drilling activities in disputed areas and in confrontations over fishing. Of course there’s a body of international law that pertains, but dispute resolution mechanisms are slow, uncertain and—most importantly—require all parties to operate in good faith. What we have seen instead has been various players, most visibly but not exclusively the PRC, acting unilaterally in attempts to essentially lock in their claims through presence and activity—often backed up with paramilitary or even naval forces.

To a certain extent, meeting force with force can be used as a counter-strategy. The prospect of a strong response from constabulary or naval forces might act as a deterrent to egregious pre-emption or coercion. But it also increases tensions and all parties need to have well-defined strategies for managing escalation. In practice, in the South China Sea we’ve seen that the PRC’s aggressive and assertive stance has tended to win out, at least so far. Until very recently, when the United States started pushing back harder, the other players in the region either didn’t care as much, were uncertain of the willingness of the PRC to use force, or lacked the capacity to respond meaningfully.

Of course, the calculus of benefits and risks works both ways. As other states with competing claims build their own capabilities and capacity, the PRC will have to decide whether the potential of a clash is worth the returns. So there are incentives for other claimant states, or those nations that have an interest in maintaining the existing rules based order, to 'push back' against the PRC's actions and to meet strength with strength.

But there is also the downside risk of raising the stakes across the board if confrontations escalate beyond words, with any armed clash becoming both more likely and more consequential. Elsewhere we’ve already seen incidents in which PLA-N vessels have locked fire control radars onto Japanese platforms, and a collision between a Chinese and an American aircraft. The more militarised the region's seas become, the greater the risk that similar future incidents will escalate.

One way to manage the escalation chain is to deploy lightly armed or unarmed constabulary units rather than military forces in situations that don't require the extra firepower. Beijing has already used this tactic quite successfully, deploying its Coast Guard units in support of Chinese fishing vessels and other activities. The advantage is that it makes the use of military vessels in response by other states appear to be disproportionate. And given the low level of capability many of the PRC's competitors have, it is a winning strategy. Only major powers such as Japan and the United States have constabulary forces with capability commensurate with the PLA-N vessels, and neither has chosen to intervene in South China Sea disputes, although there have been [suggestions that the US Coast Guard could be a useful contributor to balancing PRC naval strength](http://www.realcleardefense.com/articles/2015/05/29/5_ways_to_foil_china_in_the_south_china_sea_107986.html).

Some commentators argue that the ability of the US to underwrite the security of its partners and allies in this part of the world has declined. I'm not so sure of that. It is certainly true that there is much less qualitative difference between PRC and US capability today, and the PRC probably has a quantitative advantage in most circumstances due to proximity. But it is far from being able to overwhelm the United States, and any significant armed clash would still be disastrously costly (increasingly for both sides). So the forces of the US still represent a substantial deterrent to overt military adventurism—which is one reason why we are seeing the constabulary force based 'pushing of the envelope' I described above—and the question ultimately boils down to American resolve.

And we have—I think—an example of where American resolve has helped push China back, at least temporarily. A few years ago China was pushing hard on the issue of the Senkaku islands. It declared an ADIZ in the East China Sea and was quite assertive in its manoeuvre in the area, including locking a fire control radar onto a Japanese vessel, as you are all well aware. But a combination of Japanese military strength (and thus uncertain outcomes if push came to shove) and an important [statement by President Obama](http://www.theguardian.com/world/2014/apr/24/obama-in-japan-backs-status-quo-in-island-dispute-with-china) that the Senkakus came under Article V of the US-Japan Treaty steadied the situation. I don’t think China has given up on the East China Sea by any means, and I’m aware of its continuing air and maritime activity in the region, but the rhetoric has been ramped right back. Today China is pushing harder where the resistance is weaker, and so is doubling down on the South China Sea. At least that’s my reading of the situation from a distance. I’d be very interested to hear your views on the subject in the discussion that follows.

## The Abbott government and China in the East and South China Seas

If that’s right, then it gives me some confidence that a show of resolve and unity by countries that support the prevailing security order and rule of law has some hope of limiting China’s unilateralism. As an ally of the United States, Australia clearly has a stake here. As a result, the Australian government under Mr Abbott had decidedly strong views about China’s assertiveness in the East and South China Seas. When china declared an ADIZ in the East China Sea, Australia was a vocal critic of the move, and the Foreign Minister had the Chinese ambassador to Australia summoned for a [formal communication of Australia’s disapproval](http://foreignminister.gov.au/releases/Pages/2013/jb_mr_131126a.aspx?ministerid=4). Australia also warned that it would also [object to any future ADIZ declaration in the South China Sea](http://www.theaustralian.com.au/business/latest/bishop-warns-on-south-china-sea/story-e6frg90f-1227393198173). Of note is the strident response that Australia’s position drew from China, which described it as ‘[irresponsible and mistaken](http://www.abc.net.au/news/2013-11-27/china-rejects-australian-criticism-of-new-air-zone/5120920)’ and added that Australia should ‘immediately correct its mistake, so as to avoid damaging China-Australia relations’.

I mention that because Australia did not withdraw its criticism, and there were no visible consequences as a result. In fact, The Royal Australian Navy and the PLA(N) have just conducted a live fire exercise—for the second time—and the two countries have negotiated a free trade agreement since the ADIZ disagreement. Nor has there been any diminution of trade. As was the case over the Senkakus, China talked a bigger game than it delivered. I think that’s significant, and it suggests that shows of strength and positions of principle don’t carry the downside risk that is sometimes argued.

## The Turnbull government’s approach

When Mr Turnbull replaced Mr Abbott as Prime Minister, there was some speculation in Australia that his approach to China would be softer than Mr Abbott’s. There were reasons to think that. Mr Turnbull made a lot of money in China, and his son is married to a Chinese-born woman. There was speculation in the Australian press that [his positive views of China might carry over to his approach to national security](http://www.afr.com/news/politics/malcolm-turnbulls-china-challenge-20150917-gjoko8). However, in his [first substantial interview as Prime Minister](http://www.theage.com.au/comment/malcolm-turnbull-outlines-strategy-towards-china-20150924-gjtvts.html), Mr Turnbull said this about China’s South China Sea activities:

In terms of our region, what we need to ensure is that the rise of China [is] conducted in a manner that does not disturb the security and the relative harmony of the region upon which China's prosperity depends. Now – now, that requires careful diplomacy, it requires balancing. China would be better advised in its own interests, frankly, to – not to be pushing the envelope [in the South China Sea], and that is why there's been resistance against that activity. I think their foreign policy in the South China Sea has been quite counterproductive.

Since then, those sentiments have been echoed by the Foreign Minister, and in [speeches by the new Defence Minister](http://www.minister.defence.gov.au/2015/10/07/minister-for-defence-sea-power-conference-sydney/). As well, Australia has been a vocal supporter of ‘freedom of navigation’ exercises by the United States, and has [agreed to increase naval cooperation with the United States](http://www.smh.com.au/world/australia-to-increase-cooperation-with-us-navy-in-south-china-sea-20151014-gk8l8u.html), including additional exercises. The [communiqué from this year’s Australia United States Ministerial consultations](http://dfat.gov.au/geo/united-states-of-america/ausmin/Pages/joint-statement-ausmin-2015.aspx) included this paragraph:

They expressed strong concerns over recent Chinese land reclamation and construction activity in the South China Sea. They called on all claimant states to halt land reclamation, construction, and militarization. They urged claimants to exercise restraint, take steps to ease tensions and refrain from provocative actions that could escalate tensions.

In short, there is far more continuity than difference in Australia’s policy towards China’s South China Sea land reclamation and construction activities due to the change of Prime Minister.

It remains to be seen what steps Australia is prepared to take in support of UNCLOS and American activities to assert freedom of navigation. There have been suggestions that Australia should also conduct a freedom of navigation operation within 12 nautical miles of a Chinese occupied feature. One such suggestion [came from a former Foreign Minister](http://www.abc.net.au/news/2015-10-20/australia-should-send-warships-to-south-china-sea-gareth-evans/6867814). I think it’s fair to say that former Prime Minister Abbott, never one to shy away from a fight, might have found those suggestions appealing. Mr Turnbull might take a different view, but we can’t be sure. China, of course, is following its now usual script of telling Australia that any move to follow the American example will “[only bring trouble](http://www.afr.com/news/world/china-warns-australia-over-naval-standoff-20151029-gkm1qs)”. Whether that makes an Australian exercise more or less likely is a matter for conjecture.

## Conclusion: Australia’s next defence white paper and the US alliance

Let me finish by saying a little about Australia’s next defence white paper, or at least the policy settings it might contain. The challenge for US allies and partners, especially our two countries, is to keep that level of American engagement. In the past we have all tended to 'free ride' on American power. Japan is spending under 1% of GDP on defence and Australia 1.8%, while the US spends more than 4%. When there was no serious challenge to the USN in our region that was a low risk strategy. But today we have to collectively think harder about the costs and benefits of alliance and partnership contributions. If the US sees its good will towards its friends in the region being taken advantage of, it will have less incentive to continue to commit substantial resources and accept risks, especially as the environment becomes ever more challenging.

While the economic and diplomatic aspects of the American rebalance haven't gone as well as Washington might have liked, there has been some development on the military side, despite the serious distractions posed by the Ukraine and Middle East. US forces in the Pacific have grown in size (though modestly) and their force posture is more forward-based in some instances (nuclear submarines in Guam) and is developing further depth, with forces being located in Singapore, Australia and potentially other places in the future. So the US is far from being counted out as a serious security player in the Pacific. In fact I would argue that it will remain the most significant player, and will be so for some time to come.

I think any Australia government recognises the benefits the country gets from its alliance with the United States. But for a time there was a risk of us taking the alliance for granted in the absence of tangible security threats in our region. That trend saw Australian defence funding drop to 1.6% of GDP in 2012, the lowest proportion of national wealth since 1938. The Abbott government committed to increasing defence spending, recognising that now is not the time to be easing back. It remains to be seen whether Mr Turnbull will take the same approach to funding, but as I observed earlier, his government has so far taken a similar rhetorical line to his predecessor on China’s activities in the South China Sea and has been supportive of Washington’s efforts to make a point.

Whether the forthcoming Defence White Paper will reflect the 2% spending committee is a matter of conjecture, but I think it’s unlikely that defence spending will decrease. In any case, the force structure decisions the government will take will be a good fit for alliance operations. We will still be well short of a proportional contribution of 4%, but we will be carrying more of the burden than before.

At the same time Australia is deepening its defence relationship with Japan, another US ally. If the submarine deal comes off—and my colleague Mark will have much more to say about that in tomorrow’s seminar—that will represent a significant step forward in the relationship. I think that’s why a Japanese designed submarine for Australia is the preferred option in Washington.

While we don’t yet have the next Australian defence white paper to examine, all of the available evidence suggests that Australia will continue to contribute to the American alliance framework, with the aim of underpinning the current security structure. As I set out above, that strategy is vulnerable to 'chipping away' at the periphery, which the PRC is currently doing in the South China Sea, but it probably still represents the best alternative in the big picture of regional security. As I believe we saw in the East China Sea, China is prepared to back down from confrontations, or at least back away from the more assertive forms of behaviour.