

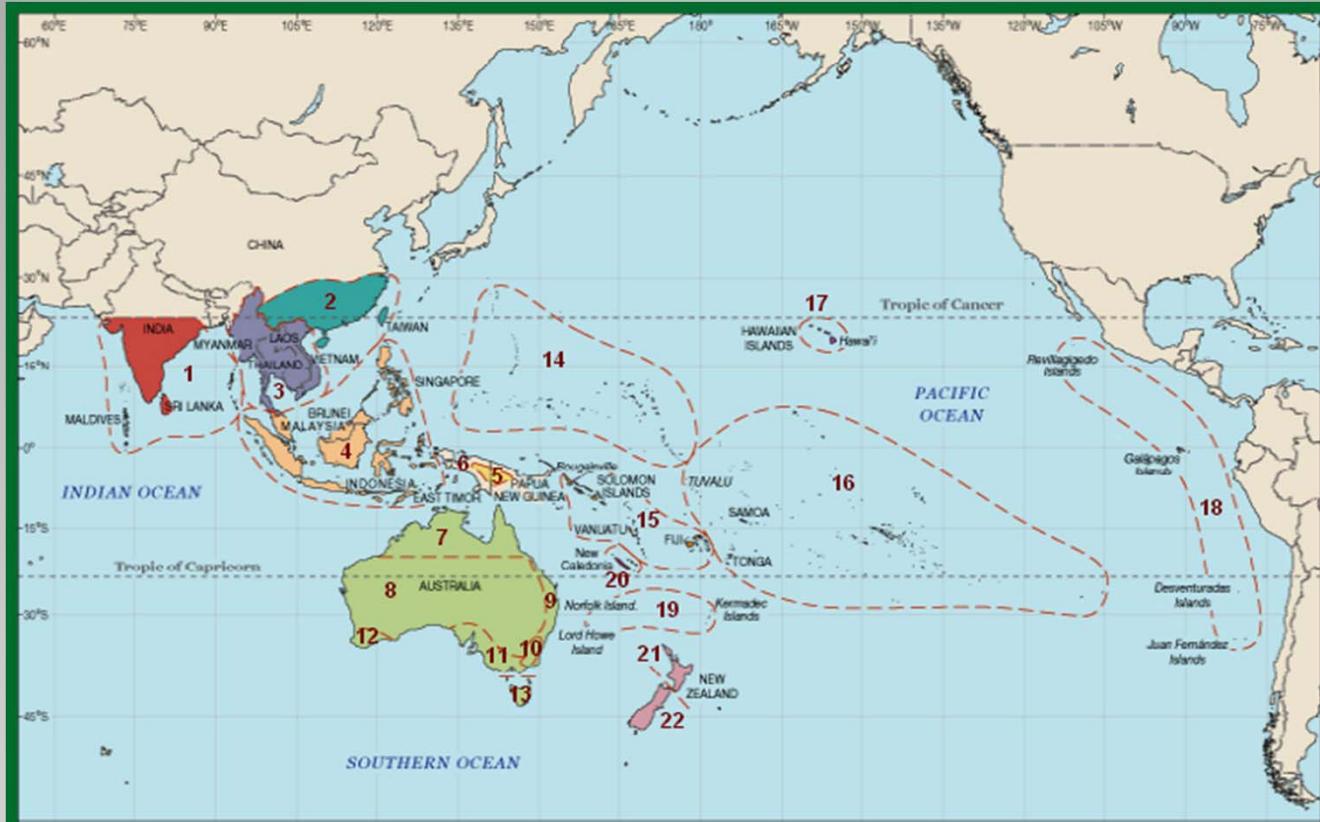
POWER FEUDS IN THE SOUTH CHINA SEA

Philippines – U.S. pawn in its looming clash with China?

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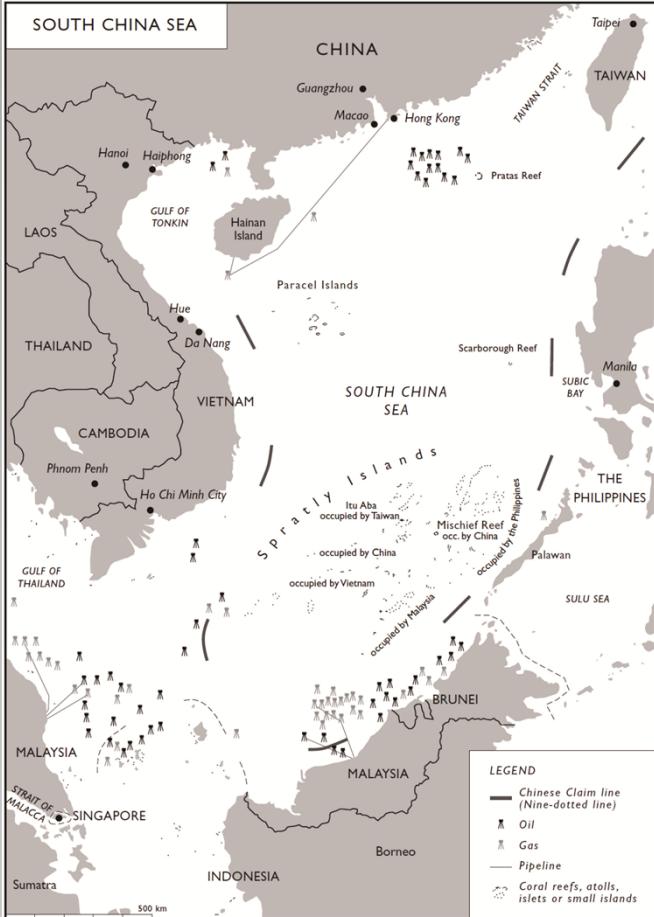


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| <input type="checkbox"/> 1. India (tropical) | <input type="checkbox"/> 7. Australia (tropical) | <input type="checkbox"/> 13. Australia (Tasmania) | <input type="checkbox"/> 19. Sub-tropical Pacific |
| <input type="checkbox"/> 2. China (tropical) | <input type="checkbox"/> 8. Australia (arid) | <input type="checkbox"/> 14. Northwest Pacific | <input type="checkbox"/> 20. New Caledonia |
| <input type="checkbox"/> 3. Mainland Southeast Asia | <input type="checkbox"/> 9. Australia (east coast) | <input type="checkbox"/> 15. West Pacific | <input type="checkbox"/> 21. New Zealand (north) |
| <input type="checkbox"/> 4. Maritime Southeast Asia | <input type="checkbox"/> 10. Australia (Mts>500m) | <input type="checkbox"/> 16. Central Pacific | <input type="checkbox"/> 22. New Zealand and islands (south) |
| <input type="checkbox"/> 5. New Guinea (highland) | <input type="checkbox"/> 11. Australia (south coast) | <input type="checkbox"/> 17. Hawaiian Islands | <input type="checkbox"/> 23. Other (outside Australasian region) |
| <input type="checkbox"/> 6. New Guinea (lowland) | <input type="checkbox"/> 12. Australia (southwest) | <input type="checkbox"/> 18. East Pacific Islands | |

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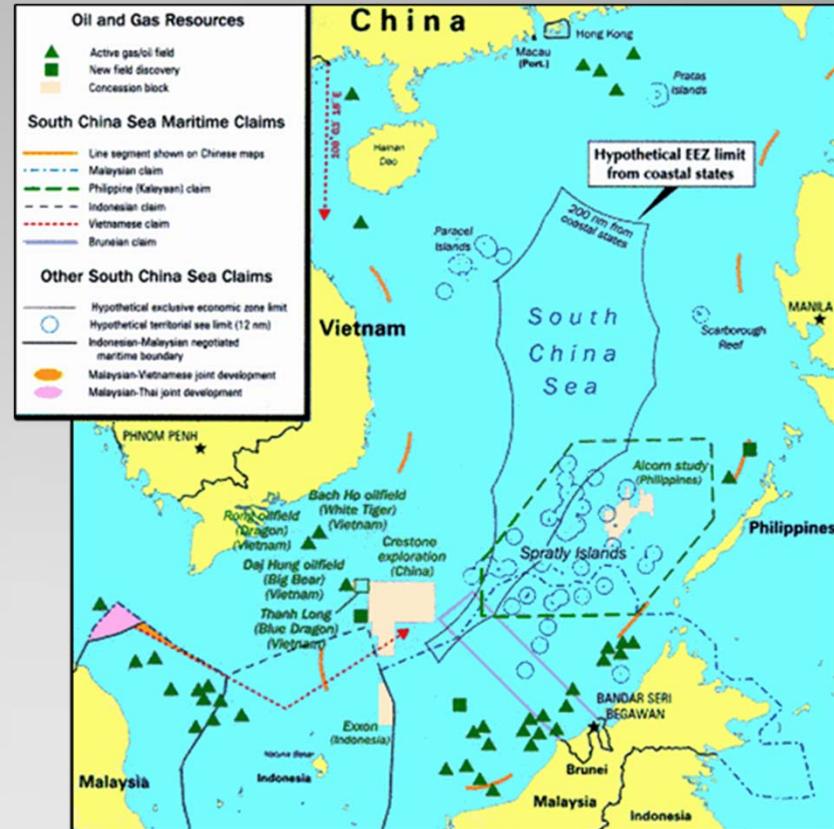
South China Sea in Asia Pacific



- 'Second Persian Gulf': Presumed to be rich in oil, gas, sea-based minerals;
- One of the world's richest fishing grounds;
- World's busiest maritime superhighway (over 50% of world's merchant fleet and supertanker traffic flows through the SCS; route for Japan's energy needs (70%)

South China Sea (SCS): 'Mother of all territorial disputes'

- CHINA: Over all of SCS and Spratly islands; dating back to 2 BC, first direct claim in 1951
- Other Claimants: Vietnam, Philippines, Malaysia, Taiwan, Brunei
- Philippines: Parts of the Spratlys, first territorial claim in 1956



Overlapping territorial claims in the SCS



Overlapping territorial claims

SCS territorial rows are just some of several flashpoints & border disputes in the region, among these -

- China's claim of Taiwan
- Korean peninsula
- Senkaku islands (Japan vs China)
- Socotra Rock (South Korea vs China)
- Sabah (Philippines, Malaysia)
- India vs China, India vs Pakistan
- Australia vs Indonesia (Hibernia reef)
- Indonesia vs Malaysia (Kanang Unarang)
- Thailand vs Burma (Doi Lang)

What SCS is to China's strategic objectives

China: World's top energy consumer, second biggest oil importer

South China Sea: “Core national interest” of China (similar to Taiwan and Tibet)

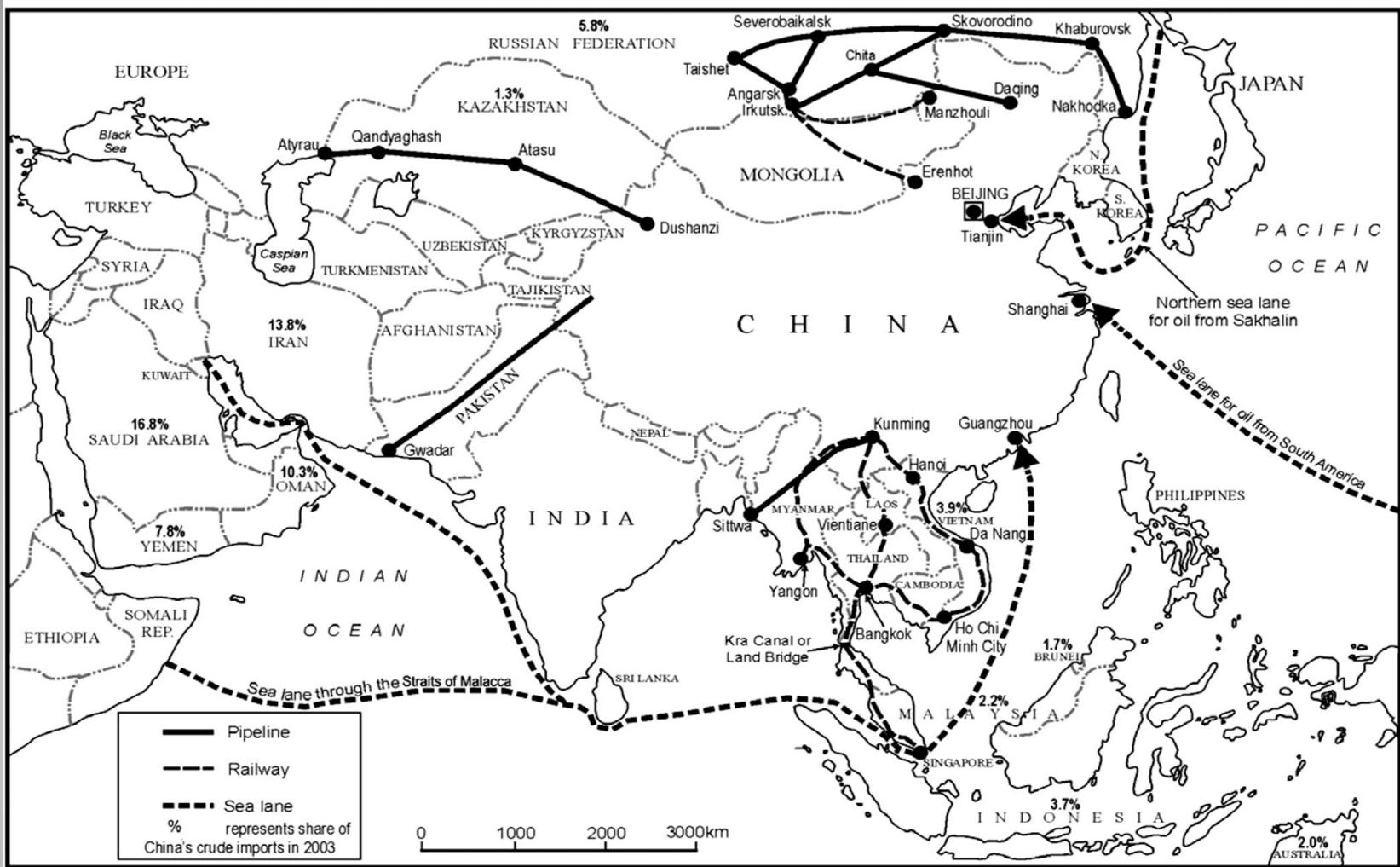
- 75% of China's energy needs currently supplied through the SCS via Malacca Straits
- SCS is also China's gateway to the Indian Ocean and other trade routes
- By 2030, China is projected to overtake the U.S. and “dominate” global trade, featuring in 17 of the top 25 bilateral sea (especially SCS) and air freight trade routes
- Long term: Strategic maritime security area for China
- To the U.S.: two-fold approach - stay out of the SCS territorial disputes, but assures “freedom of navigation”

China's regional sources of imported crude oil (1995-2003) %

REGIONS	1995	2000	2003
Middle East	45.4%	53.6%	51.3%
Africa	10.8	24.0	24.4
Asia Pacific	42.3	15.0	15.3
CIS (Russia & Kazakhstan)	0.2	3.1	7.2
Europe	2.1	3.6	1.8
South America	0	0	0.4



China's oil projects worldwide

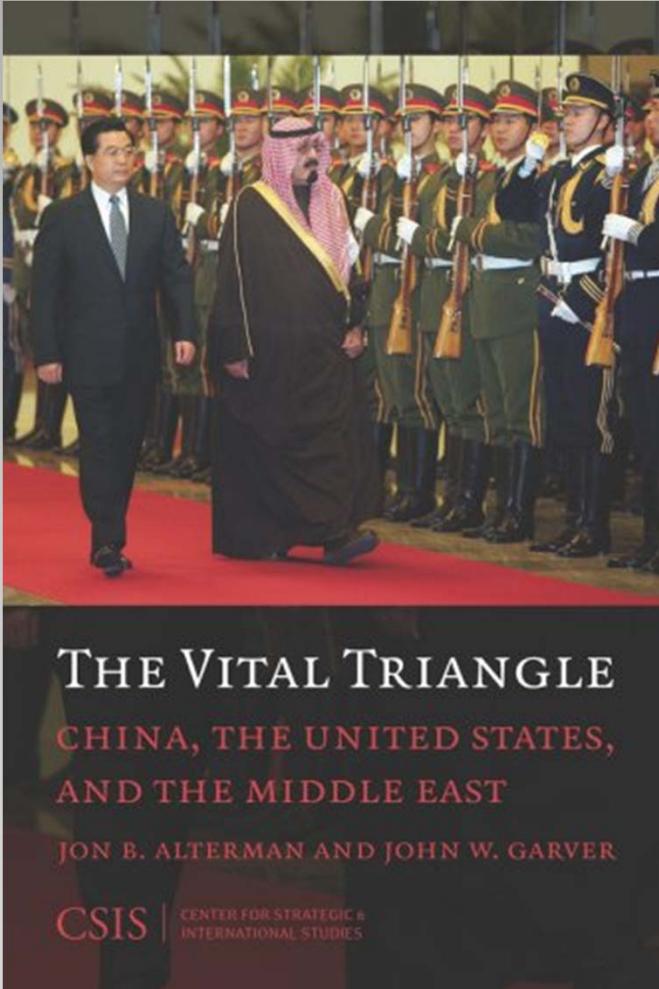


China's petroleum routes (2007)



- China strengthens its relations with oil-producing and –exporting countries
- China may both compete and cooperate with nations that rely moderately on imported crude including the U.S., India, and some Southeast Asian nations
- China may compete fiercely with nations that rely heavily on imported oil, especially Japan
- It may antagonize the US in its active oil trade with Iraq (pre-2002), Iran, Sudan & other countries

Implications for the U.S., Asia & other Countries



China's oil diplomacy

- China supports Arab world's stance on Palestine
- Supports a nuclear-free Middle East
- Provides valuable diplomatic support for Sudan, its second largest African oil supplier

- On Iraq: Voted for UN Security Council Resolution 1441 (2002) that opened the way for U.S.-led war against Saddam Hussein
- On Iran (China's biggest oil supplier): In 2006 China backed U.S. and Europe to refer Iran nuclear issue to the UN Security Council and agreed that Iran should not develop nuclear weapons
- On Sudan: China in 2004 distanced itself from EU which used sanctions to force Sudan to stop atrocities



**With the U.S.: Compromise
& accommodation**

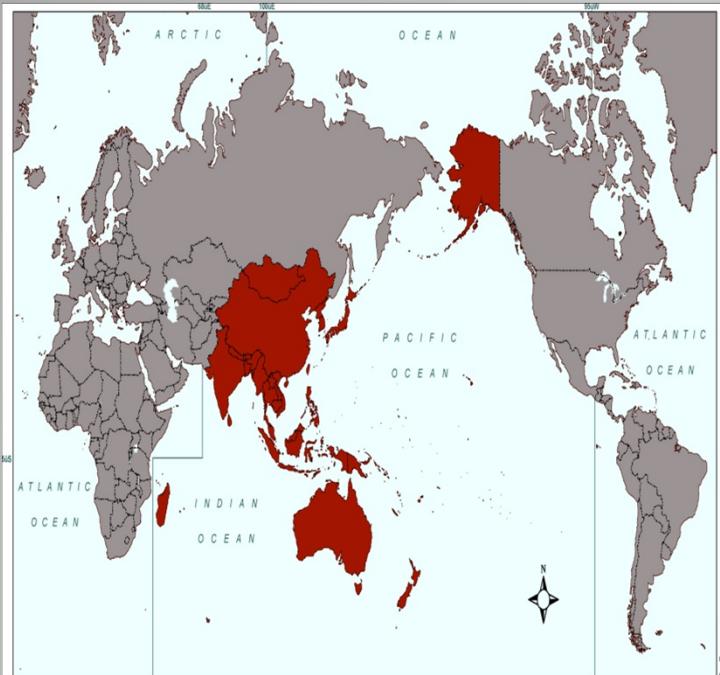


China: security of sea-lanes (from Persian Gulf to SCS)

- China's naval capability mainly covers the Taiwan Strait
- Most of Beijing's efforts at securing oil routes have been alternative land pipelines or railway links
- 'String of pearls strategy': building close ties along the sealanes from Middle East to SCS in order to protect energy interests – Pakistan, Bangladesh, Burma, Thailand, Cambodia and SCS

U.S. RESPONSE to ongoing territorial tensions in SCS

- Stresses China is a “rising military hegemon” but should be a “responsible stakeholder” (Pentagon & state department)
- Reassures defense commitment to the Philippines citing the Mutual Defense Pact 1951
- Publicly calls for “restraint” and “multilateral talks”
- But is using the current tension to enhance and realign its military presence in the SCS and Asia Pacific as part of Pentagon’s “encirclement” strategy and in countering China’s “anti-access and area-denial” buildup in the area
- Note, however, that China is the biggest foreign creditor (\$1 trillion+) to the U.S.; 50% of its exports to the US comes from US-led MNCs operating in China



US Pacific Command

- Reinforcing permanent bases in the west coast of Australia
- Advancing the new “US-Japan-Australia” trilateral security initiative
- Strengthening treaty alliances or access agreements with South Korea, Philippines, Thailand, Singapore, Malaysia, Indonesia, New Zealand
- Enhanced partnership with ASEAN toward the building of a proposed ASEAN NATO
- Discussing potential defense partnerships with India, Indonesia, and Vietnam
- Strengthening/realigning two major commands straddling Asia Pacific: PACOM and CENCOM
- Unified commands – U.S. Forces Japan, U.S. Forces Korea, Special Operations Command Pacific, & the Alaskan Command; Standing Joint Task Forces
- Increase in military and naval war exercises with numerous countries in the region

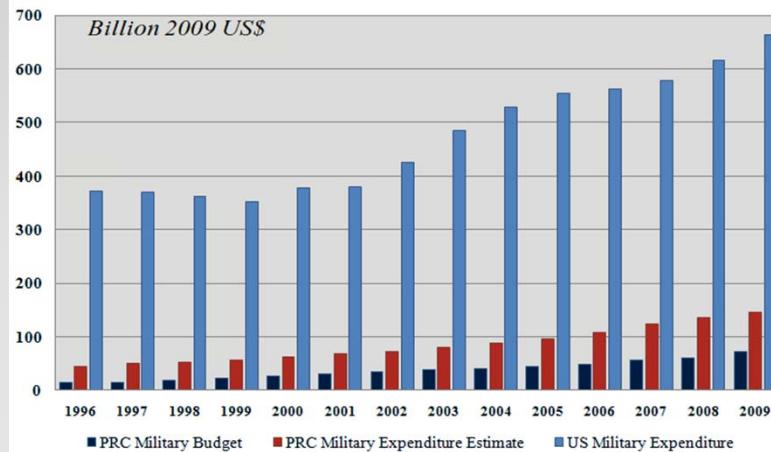
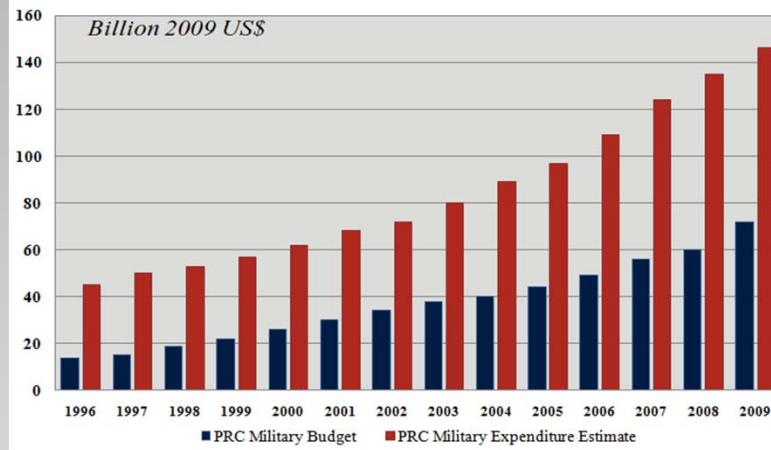
US' specific moves vis-à-vis China (2010-2011)

- “String of pearls”: basing and access agreements with Myanmar, Sri Lanka, Pakistan, and possibly Bangladesh
- Hainan Island naval base
- Missile delivery systems, ballistic missiles, submarine fleet, cyber-warfare, military space technology

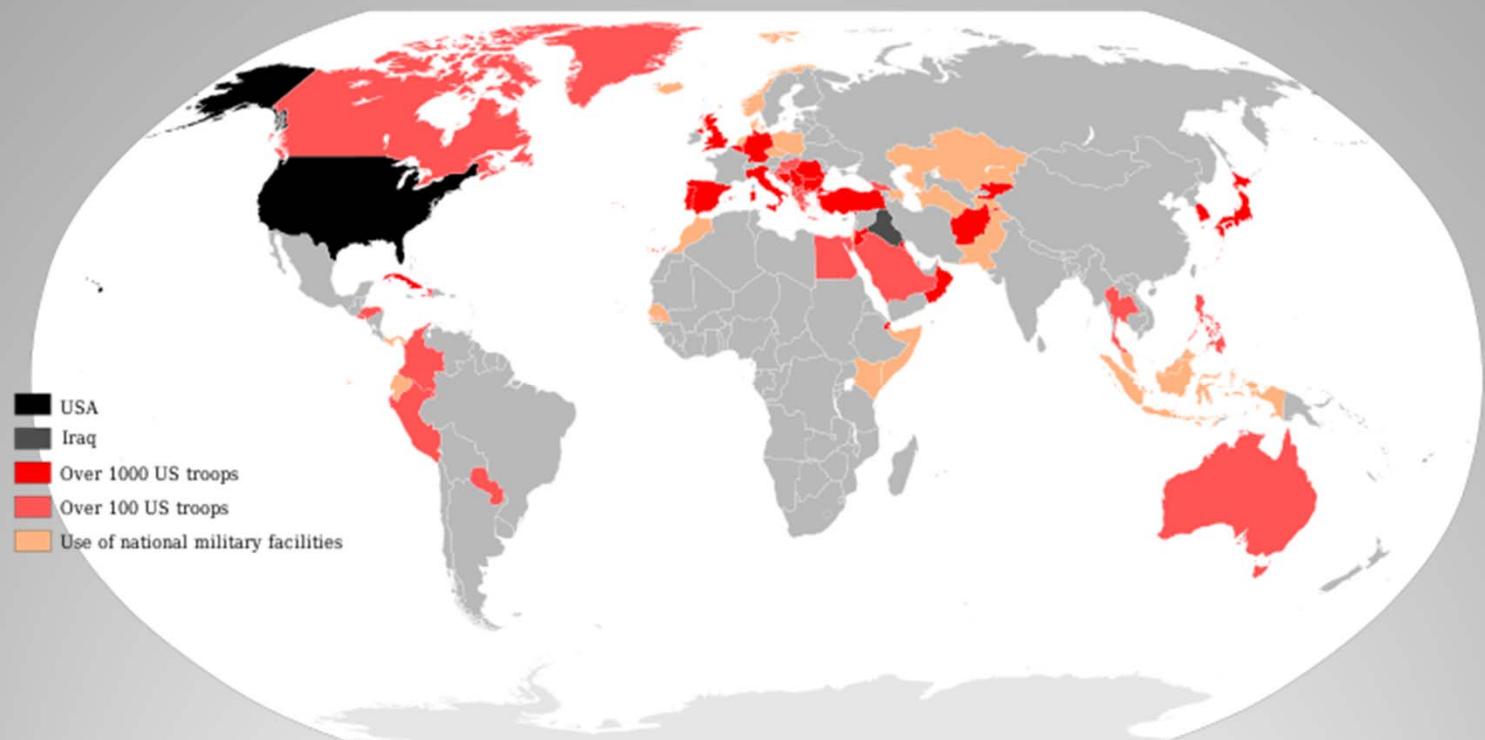


China's military modernization

Chinese and US Military Expenditure, Stated and Estimated - Based on 2010 DOD Data



US-China comparative defense expenditures



US global military power

On the 1951 Mutual Defense Treaty

- The MDT was invoked in a few occasions to coerce Philippine support for the US wars in the Korean Peninsula (1950-1953) and Indochina (1954-1975).
- It was cited to give legitimacy to the onerous 1999 Visiting Forces Agreement
- In a near-war scenario with Malaysia over Manila's claim on Sabah in the 60s, the MDT was never invoked to extend US support to the Philippines
- The US has expressed its support to the Philippines to justify new arms acquisition, bigger AFP modernization budget, more and frequent war exercises, and the retention of the VFA with more forward-deployed US special forces and facilities