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### **What explains the De-escalation of the Spratlys Dispute?**

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THE territorial dispute over the Spratly Islands was in the 1990s often described as a major security flashpoint. The dispute was one of the crucial problems afflicting China and the four Southeast Asian claimant states --Vietnam, the Philippines, Malaysia and Brunei. Part of the defence modernisation undertaken by the Southeast Asian states was related to this issue. The seriousness of the matter was demonstrated in February 1995, when China encroached on the Philippine claimed Mischief Reef in the Spratlys. The then Philippine Defence Secretary Orlando S. Mercado, as reported by the BBC, would later describe the Chinese occupation of Mischief Reef and the fortification of its structures in late 1998 as a strong indication of China's "creeping invasion" of the "disputed South China Sea chain".

The Spratlys dispute is today no longer discussed as a major security concern. It is interesting to note however that this shift in perception has occurred despite the absence of significant changes in the circumstances pertaining to the dispute. China has continued to modernize its navy and has constantly repeated that its sovereignty over the South China Sea is indisputable. The Southeast Asian claimants have also been unwilling to make concessions with regard to their territorial claims. Moreover, China and the members of the Association of Southeast Asian Nations (ASEAN) have failed so far to agree on a code of conduct for the South China Sea. Although a step in the right direction, the Declaration on the Conduct of Parties in the South China Sea, signed by the ASEAN countries and China on the sidelines of the ASEAN summit in Phnom Penh in November 2002, can only be regarded as an interim accord.

What then explains the de-escalation of the Spratly dispute?

#### **Sources of Stability**

First and foremost, the China threat perception has gradually changed among Southeast Asian policy elites. China has been acting as a status quo rather than as a revisionist power. Self-restraint and accommodation have characterized China's foreign policy toward Southeast Asia. China has added diplomatic activism to its growing economic and military growth. China's "charm offensive" towards ASEAN is in contrast to its previous suspicion of multilateralism. In October 2003, China was the first non-Southeast Asian state to adhere to the Treaty of Amity and Cooperation. This has been part of China's overall courtship of ASEAN in recent years, as well as further demonstrating its willingness to respect the Association's norms of inter-state behaviour.

The relative moderation in China's foreign policy has also been observed in the context of the Spratlys dispute. Although China expanded its structures on Mischief Reef in late 1998, it has not seized additional disputed features in the Spratlys since 1995. As the first multilateral agreement signed by China on the South China Sea, the 2002 Declaration was also an indication of Beijing's willingness to adhere to the principles promoted by the ASEAN countries.

Second, the various claimant states have in recent years refrained from playing the nationalism card. Significantly, Beijing has been careful not to allow the South China Sea question to become an issue in Chinese domestic politics or to use this point as a subject of domestic propaganda. This is in contrast to the situation over the Senkaku/Diaoyu Islands. One has observed with regard to that specific territorial dispute increased activity from nationalist groups in China and Taiwan criticizing the Japanese occupation of the islands to be an infringement of Chinese territory.

This is not to say however that nationalism has stopped being an important factor in the Spratly dispute. The territorial claims are of nationalist importance and the claimant states have been inflexible on the sovereignty issue. Retracting territorial claims or a willingness to make concessions on the question of sovereign jurisdiction would be costly domestically and perceived regionally as a sign of weakness. Nonetheless, it is positive to note that the claimants have at least downplayed their nationalist rhetoric in their attempt at managing the dispute.

Third, the de-escalation of the dispute derives from the limited proven oil reserves of the South China Sea. As exploration techniques have improved, oil reserves lying under the seabed in the deep water have become more viable. Yet the oil reserves of the South China Sea are still uncertain and initial estimations have been adjusted lower. As oil prices have risen substantially over recent years, the situation in the South China Sea could change for the worst if proof was found of sufficient oil reserves for commercial use.

In March 2005, China signed with the Philippines and Vietnam agreements on the conducting of oil pre-exploration surveys in the Spratlys. The signing of such bilateral agreements guarantees Manila and Hanoi to be at least included in the exploration process in areas where they have overlapping sovereignty claims with Beijing. Yet the discovery of substantial oil reserves for commercial usage could raise tensions and leave the Philippines and Vietnam in a fragile situation due to the overwhelming asymmetry in power with China and the absence of an overall agreement on the sovereign rights of the coastal states.

Finally, the restrained involvement of the United States has been another source of stability in the South China Sea. Washington does not consider the Spratlys dispute as a vital security concern. It does not want to further complicate its relations with China by getting involved in the question of sovereign jurisdiction. Though following closely the developments in the South China Sea, the U.S. has consistently limited its interest to the preservation of the freedom of navigation and the mobility of its Seventh Fleet. Due to its own economic interests, China is not expected to interrupt the shipping lanes that cross the South China Sea.

## **Conclusion**

The de-escalation of the Spratlys dispute can be explained by the lessening of the China threat image, the downplaying of nationalist rhetoric, the limited proven oil reserves of the

South China Sea, and the restrained U.S. involvement in the conflict. In the short to medium term, an armed conflict seems unlikely although risks exist of miscalculations or accidents that could lead to limited confrontation.

In the longer run however the Spratlys dispute could again become a primary security concern in Southeast Asia if China significantly increases its power projection capabilities in the area. The upsurge of nationalist rhetoric would also complicate the peaceful management of the dispute. Moreover, proof of sufficient oil reserves in the South China Sea linked with high energy pressure in East Asia would transform security circumstances in the Spratlys. Finally, the worsening of Sino-U.S. and/or Sino-Japanese relations would undoubtedly increase security competition in the maritime domain and undermine stability in the South China Sea.

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