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A Nine-dash Red Line? The Potential for Major Conflict in the South China Sea

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Abstract

This paper analyses the potential for major conflict in the South China Sea (SCS) between the US and China in the coming decade, particularly given its description as 'a major flashpoint for potential conflict'. It examines the importance of the SCS, particularly to the claimant states, both in relation to its geostrategic location and the resources within and below it.

The paper concludes that the political, military and economic calculus is such that—in the absence of serious miscalculation—Australia's current *National Security Statement* is correct in its assessment that SCS-related conflict between the US and China is unlikely for the foreseeable future.

A Nine-dash Red Line? The Potential for Major Conflict in the South China Sea

Introduction

The rise of China and its accommodation as a great power, especially by the US, is an issue that has received significant academic and policy attention. As Australia's 2013 *National Security Strategy* (NSS) puts it, 'the United States-China relationship will be the single most influential force in shaping the [regional] strategic environment'.¹ Within this evolving story, the South China Sea (SCS) has been identified as a measure from which the temperature of China's rise may be read, and the broader state of the US-China relationship forecast.²

If so, the signs are not necessarily positive. The International Crisis Group has labelled the area as 'a major flashpoint for potential conflict';³ former US Secretary of State, Hillary Clinton, has warned against nations using 'intimidation and coercion' to press their territorial claims;⁴ and Hugh White has written that the risks of conflict in the SCS are 'not remote or implausible'.⁵ Despite this, the Australian Government's NSS has assessed that conflict between the US and China is unlikely.⁶

The aim of this paper is to analyse the potential for major conflict in the SCS between the US and China in the coming decade. The paper will examine the importance of the SCS and assess the likelihood of a major conflict erupting. In doing so, the paper

¹ Department of The Prime Minister and Cabinet, *Strong and Secure: a strategy for Australia's national security*, Canberra, Australian Government, January 2013, table, un-numbered page.

² Alice D. Ba, 'Staking Claims and Making Waves in the SCS: how troubled are the waters?', *Contemporary Southeast Asia*, Vol. 33, No. 3, December 2011, p. 269; Brantly Womack, 'The Spratlys: from dangerous ground to apple of discord', *Contemporary Southeast Asia*, Vol. 33, No. 3, 2011, pp. 375-376. This argument is also a central theme of Denny Roy, 'SCS: not just about "free navigation"', *Asia Pacific Bulletin*, No. 177, 14 August 2012, available from <http://www.eastwestcenter.org/sites/default/files/private/apb177_0.pdf>, accessed 27 February 2013.

³ International Crisis Group, 'Stirring Up the SCS (I)', *Asia Report*, No. 223, 23 April 2012, p. 1.

⁴ Paul Eckert and Manual Mogato, 'Clinton Warns Against Intimidation in SCS', *Reuters.com website*, available from <<http://www.reuters.com/article/2011/11/16/us-philippines-clinton-idUSTRE7AF0JZ20111116>>, accessed 12 March 2013.

⁵ Hugh White, *The China Choice: why America should share power*, Collingwood, Black Inc, 2012, p. 127.

⁶ Department of The Prime Minister and Cabinet, *Strong and Secure*, p. ii.

will contend that the political, military and economic calculus is such that—in the absence of serious miscalculation—the *NSS* assessment is correct.

Why Draw a Line at All? The Importance of the SCS

In the past, the SCS was marked on maritime maps with the warning ‘dangerous ground’.⁷ This caution remains relevant today, as the SCS is claimed in part by The Philippines, Malaysia, Vietnam, Brunei and Indonesia. It is also claimed by China, a claim which, in the form of a 1947 ‘nine-dash line’ map attached to China’s 2009 submission to the UN Convention on Law of the Sea (UNCLOS), appears to include the entire area.⁸

Perhaps the most significant reason for these nations’ claims to the SCS is the resources beneath it. The area is important for its proven fish reserves, which are estimated to yield ‘approximately 10 per cent of the annual global fisheries catch’.⁹ A more glittering, if speculative, prize is the suspected oil and gas reserves that may lie under the seabed. While estimates differ, the SCS may hold as much as a third of the oil reserves and half the gas reserves of the entire Persian Gulf.¹⁰ One estimate, by a Chinese military officer, is that these resources are worth as much as two quadrillion US dollars.¹¹

While all the claimant countries would benefit from wealth of that magnitude, these oil and gas reserves are particularly important for China. The Chinese Communist Party is preoccupied with economic growth, both for China’s future prospects and as

⁷ Mark J. Valencia, ‘The Spratly Islands: dangerous ground in the SCS’, *Pacific Review*, Vol. 1, No. 4, 1988, p. 438.

⁸ Ba, ‘Staking Claims and Making Waves in the SCS’, p. 272. This map is attached to China’s claim without explanation. Taiwan is also a claimant, although it tends to be forgotten as its claim is identical to that of China.

⁹ International Crisis Group, ‘Stirring Up the SCS (I)’, p. 2; Clive Schofield, ‘Maritime Cooperation in Contested Waters: addressing legal challenges in East and Southeast Asian waters’, in Clive Schofield (ed.), *Maritime Energy Resources in Asia: legal regimes and cooperation*, National Bureau of Asian Research, Special Report 37, February 2012, p. 2.

¹⁰ Jia Qingguo, ‘Territorial Disputes in Asia: a threat or new opportunity? a Chinese perspective’, *Indonesian Quarterly*, Vol. 40, No. 3, Third Quarter 2012, p. 282; Lyle Goldstein, ‘Chinese Naval Strategy in the SCS: an abundance of noise and smoke, but little fire’, *Contemporary Southeast Asia*, Vol. 33, No. 3, December 2011, p. 326.

¹¹ Cited in Goldstein, ‘Chinese Naval Strategy in the SCS’, p. 333.

the basis for its unchallenged power.¹² It is this economic imperative that underlies the importance of the SCS to China, as its economic development 'is reliant on foreign markets and energy imports'.¹³ China has not been self-sufficient for almost 20 years and, by 2015, is projected to import 60-70 per cent of its oil needs.¹⁴ Indeed, China's ability to secure sufficient oil to enable its continued economic growth is so important that it has been described as a 'national economic objective',¹⁵ with dependence on distant oil fields and vulnerable maritime shipping routes 'a potential strategic vulnerability'.¹⁶

A more recent, aggressive Chinese approach to advancing its interests in the SCS has exacerbated suspicions about how it will use its increasing economic and military power, and to what extent it will conform to international norms.¹⁷ The SCS has therefore taken on a symbolic importance regarding the 'role of China as a rising power in East Asia *vis-a-vis* the United States'.¹⁸ While the US is not a claimant, it has declared there are US 'national interests' involved, including 'freedom of navigation, open access to Asia's maritime commons, and respect for international law'.¹⁹

Such an approach is consistent with President Obama's statement that a 'peaceful and prosperous China'²⁰ is welcome as long as it meets US expectations for fair trade,

¹² John Lee, 'China's Geostrategic Search for Oil', *The Washington Quarterly*, Summer 2012, p. 78. In this reference, Lee also points out that China has set the bar for growth high, aiming to achieve growth in gross domestic product of around 8 per cent per year with a rider that inflation also needs to be kept below 5 per cent.

¹³ Adam P. MacDonald, 'China's Maritime Strategy: a prolonged period of formulation', *Canadian Naval Review*, Vol. 8, No. 4, Winter 2013, p. 10.

¹⁴ Lee, 'China's Geostrategic Search for Oil', p. 76.

¹⁵ Lee, 'China's Geostrategic Search for Oil', p. 75.

¹⁶ Lee, 'China's Geostrategic Search for Oil', p. 76.

¹⁷ Tuan Anh Hoang, 'Chinese Strategic Miscalculations in the SCS', *Asia Pacific Bulletin*, No. 181, 27 September 2012, p. 1, available from <http://www.eastwestcenter.org/sites/default/files/private/apb_181.pdf>, accessed 27 February 2013; David Shambaugh, 'Coping with a Conflicted China', *The Washington Quarterly*, Vol. 34, No. 1, Winter 2011, p. 7; Mark E. Manyin et al, 'Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia', Washington DC, Congressional Research Service, March 2012, p. 8, available at <<http://www.fas.org/sgp/crs/natsec/R42448.pdf>>, accessed 6 February 2013.

¹⁸ Ba, 'Staking Claims and Making Waves in the SCS', p. 269; Womack, 'The Spratlys', pp. 375-376; this argument is also a central theme of Roy, 'SCS'.

¹⁹ Sheldon W. Simon, 'Conflict and Diplomacy in the SCS', *Asian Survey*, Vol. 52, No. 6, 2012, p. 1002; Womack, 'The Spratlys', p. 370.

²⁰ Barack Obama, 'Text of President Obama's Speech to Parliament', 17 November 2011, available at <<http://www.smh.com.au/national/text-of-obamas-speech-to-parliament-20111117-1nkcw.html>>, accessed 6 February 2013.

human rights, the rule of law, freedom of navigation and democratic principles.²¹ This US policy is backed by increasing military presence and capability as the US implements its 'rebalance toward the Asia-Pacific region'.²² In specific regard to the SCS, however, the US appears to favour using multilateral institutions, such as the Association of Southeast Asian Nations (ASEAN) and the ASEAN Regional Forum, for negotiation and resolution.²³

The ASEAN claimants are also supportive of a multilateral approach, as a means to minimise the possibility of China using a 'divide and conquer' approach against them. ASEAN's record of success in this, however, is mixed. ASEAN and China signed a 'Declaration on Conduct of Parties' in 2002, setting out the principles by which the claimant nations will approach the SCS.²⁴ While a positive step, the declaration has no legal status and the intended follow-on document, an implementing code of conduct, has not been agreed.

More broadly, the discussion of the SCS has been a source of internal tension for ASEAN. In 2012, for the first time, the annual ASEAN meeting was unable to issue a formal communiqué because of objections by its Cambodian chair that ASEAN was an inappropriate mechanism to discuss bilateral disputes.²⁵ Nevertheless, as a forum for discussion and understanding, ASEAN's involvement mitigates the possibility of significant conflict.²⁶

The positions of the ASEAN claimants and the US are largely at odds with that of China. China opposes US or ASEAN involvement as it believes that this will encourage other claimants to eschew compromise, preferring bilateral negotiations to resolve what it sees as a series of unconnected disputes; it also regards multilateral involvement as an unnecessary complication.²⁷ The US emphasis on international law is also of concern to the Chinese. As UNCLOS effectively extinguishes historical

²¹ Obama, 'Text of President Obama's Speech to Parliament'.

²² US Department of Defense, *Sustaining US Global Leadership: priorities for 21st century defense*, Washington DC, US Government, January 2012, p. 2.

²³ Simon, 'Conflict and Diplomacy in the SCS', pp. 1002-1005.

²⁴ See <<http://www.asean.org/asean/external-relations/china/item/declaration-on-the-conduct-of-parties-in-the-south-china-sea>> accessed 4 September 2013.

²⁵ Simon, 'Conflict and Diplomacy in the SCS', pp. 1015-16; and David Scott, 'Conflict Irresolution in the SCS', *Asian Survey*, Vol. 52, No. 6, 2012, p. 1027. These objections no doubt related to issues other than just the SCS.

²⁶ Scott, 'Conflict Irresolution in the SCS', p. 1025.

²⁷ International Crisis Group, 'Stirring Up the SCS (I)', p. 7; Scott, 'Conflict Irresolution in the SCS', pp. 1022; Qingguo, 'Territorial Disputes in Asia', p. 280.

sovereignty, China sees it as fundamentally favouring the other claimants.²⁸ Finally, it is also possible for the Chinese to see multilateralism as evidence of US intent to build a network of countries to balance and contain China.²⁹ With significant economic, security and political stakes in play, the SCS has assumed broader importance as ‘a struggle between two visions of international order for Asia’.³⁰

How Likely is Major Conflict Between the US and China?

Given the importance of the SCS, it is sobering that it has seen both confrontation and actual conflict. The most serious of these incidents has occurred between China and Vietnam: notably China seizing the Paracel Islands from Vietnam in 1974, and killing 72 Vietnamese sailors in 1988;³¹ as well as seizing large numbers of Vietnamese fishing boats and allegedly disrupting Vietnamese oil exploration.³² There have also been non-lethal incidents between China and The Philippines, and—in a wider dispute—with the US Navy over China’s position that intelligence collection platforms cannot claim ‘innocent’ passage under freedom of navigation.³³ It is reasonable to assume, therefore, that incidents and conflict may occur again. However, it is important to note that if this past conflict is the basis for prediction, then that past has not led to major conflict.

This paper has earlier described the substantial economic importance of fish, oil and gas reserves proven or suspected in the SCS. These resources are sufficiently important to China that they have been described as the only area of resource contention that may lead to conflict.³⁴ Balanced against this are three factors. The first is that any significant conflict would disrupt trade and oil flows to and from China, likely leading to ‘sustained, widespread and long-term detrimental impact’ on the

²⁸ Simon, ‘Conflict and Diplomacy in the SCS’, p. 1003; Roy, ‘SCS’, p. 2.

²⁹ Goldstein, ‘Chinese Naval Strategy in the SCS’, p. 326. This is also a central theme of Michael T. Klare, ‘The United States Heads to the SCS’, *Foreign Affairs Website*, 21 February 2013, available at <<http://www.foreignaffairs.com/articles/139023/michael-t-klare/the-united-states-heads-to-the-south-china-sea?page=show>>, accessed on 27 February 2013.

³⁰ Roy, ‘SCS’, p. 2.

³¹ Ba, ‘Staking Claims and Making Waves in the SCS’, p. 279.

³² Carlyle A. Thayer, ‘The Tyranny of Geography: Vietnamese strategies to constrain China in the SCS’, *Contemporary Southeast Asia*, Vol. 33, No. 3, December 2011, pp. 357-359; International Crisis Group, ‘Stirring Up the SCS (I)’, pp. 5-6.

³³ International Crisis Group, ‘Stirring Up the SCS (I)’, p. 5.

³⁴ Lee, ‘China’s Geostrategic Search for Oil’, p. 76.

region, and particularly severe impact on China itself.³⁵ The second is that military conflict over the economic worth of resources in the SCS is almost certain to be self-defeating. This is because it is highly unlikely that the outcome would be sufficiently decisive to allow the victor to efficiently extract its resources, as expensive capital infrastructure, such as oil rigs, and lines of communication would remain vulnerable.³⁶

The final factor is geopolitical. As an emerging great power, China represents somewhat of an unknown. While it claims to be a peaceful nation that rejects hegemonic behaviour and is committed to mutual trust and benefit,³⁷ this paper has shown that other regional nations, and the US, are yet to be convinced. If China were to be involved in a significant military conflict, unless it was clearly started by another claimant or the US, this paper argues that irreparable damage would be done to China's regional standing. As Brantley Womack has stated, 'there is no threshold of military superiority that would make it beneficial for China to establish control over all the Spratlys at the cost of strategic hostility with Southeast Asia'.³⁸

Overall, these three factors do not preclude conflict in the SCS. But the constraining and mitigating factors are such that the likelihood of significant conflict between the US and China appears small.³⁹ A further conflict-mitigating factor is that there are 'a range of mechanisms ... that serve to buffer and mediate specific tensions'.⁴⁰ These have been mostly successful and, even in the case of Vietnam and China, their overall relations have proven to be 'remarkably robust'.⁴¹ Similarly, a historical survey of the SCS has found that the region is 'relatively stable', despite the tensions that surround

³⁵ Hoang, 'Chinese Strategic Miscalculations in the SCS', p. 2; Schofield, 'Maritime Cooperation in Contested Waters', p. 3; Ba, 'Staking Claims and Making Waves in the SCS', p. 270. The NSS similarly recognises that Australia and the US have 'clear economic interests' in preserving regional peace: see Department of The Prime Minister and Cabinet, *Strong and Secure*, p. 27. Although speculative, this paper has already made the point that the legitimacy of Communist Party rule is partially tied to economic growth, and it is possible that — unless diverted by other forces, such as nationalism — significant economic disruption could be a mortal blow to Chinese communist rule.

³⁶ Womack, 'The Spratlys', pp. 371 and 374-375.

³⁷ Information Office of the State Council, *The Diversified Employment of China's Armed Forces*, p. 2, April 2013, available at <http://news.xinhuanet.com/english/china/2013-04/16/c_132312681.htm>, accessed 22 April 2013.

³⁸ Womack, 'The Spratlys', p. 375.

³⁹ Womack, 'The Spratlys', pp. 376 and 381-382; Ba, 'Staking Claims and Making Waves in the SCS', p. 286.

⁴⁰ Ba, 'Staking Claims and Making Waves in the SCS', p. 280.

⁴¹ Thayer, 'The Tyranny of Geography', p. 363.

it.⁴² The Chinese appear to agree, being officially sanguine over the possibility of conflict—either minor or major—in the SCS. China's April 2013 equivalent of a defence white paper noted that 'while localised turmoil occurs, on the whole the international situation remains peaceful and stable'.⁴³

Unfortunately, the legal framework for the SCS dispute, UNCLOS, has only been partially successful as a mediation mechanism. While all SCS claimants are UNCLOS signatories, China has opted out of any arbitration or court proceedings regarding territorial disputes.⁴⁴ Additionally, although UNCLOS extinguishes claims based on criteria outside its provisions, China appears to have claimed the entire SCS, using as justification both UNCLOS and claimed Chinese usage since the 1400s.⁴⁵

The situation is, at least to some extent, exacerbated by the UNCLOS itself, which requires that states actively maintain their claims, especially when disputed. If this is not done, evidence in support of the claim is diminished, perhaps even being seen to have been abandoned.⁴⁶ Additionally, while UNCLOS lays the framework for claims to be made, it is 'relatively impotent' in resolving them due to its inherent limitations, such as a lack of process to deal with sovereignty disputes and an absence of compulsory enforcement powers.⁴⁷

Another concerning trend is the way that the SCS dispute has been given a nationalist flavour by several nations, including China and Vietnam. For China the potential loss of sovereign territory is a reminder of the indignities suffered during colonisation.⁴⁸ With China's claims emphasising its historical ties to the SCS, nationalism raises public passions and demands for action against other nations seen

⁴² Schofield, 'Maritime Cooperation in Contested Waters', p. 5.

⁴³ Information Office of the State Council, *The Diversified Employment of China's Armed Forces*, p. 3. These assessments are consistent with those of the recent past. See Information Office of the State Council, *China's National Defense in 2010*, March 2011, pp. 4-5, available at <http://eng.mod.gov.cn/DefenseNews/2011-03/31/content_4235452.htm>, accessed 27 March 2013.

⁴⁴ Scott, 'Conflict Irresolution in the SCS', pp. 1021-1022.

⁴⁵ International Crisis Group, 'Stirring Up the SCS (I)', p. 3 and p. 17; Schofield, 'Maritime Cooperation in Contested Waters', p. 3; Ba, 'Staking Claims and Making Waves in the SCS', p. 272.

⁴⁶ Ba, 'Staking Claims and Making Waves in the SCS', p. 272; Womack, 'The Spratlys', p. 374.

⁴⁷ Scott, 'Conflict Irresolution in the SCS', p. 1021.

⁴⁸ MacDonald, 'China's Maritime Strategy', p. 11.

to be trespassing against China's position and rights.⁴⁹ Conversely, Vietnam believes China is using tactics reminiscent of 'a thousand years of conflict', which have cost Vietnam both lives and territory.⁵⁰ While it is possible that Chinese and Vietnamese governments may be able to control nationalism, these popular forces are inherently unpredictable and a risky tool of statecraft.

If a conflict were to occur, then the People's Liberation Army (PLA) has the role of 'safeguarding national sovereignty, security and territorial integrity'.⁵¹ There is a distinction, however, in Chinese security policy between 'core' interests—those that China could be assumed to use force to safeguard—and lesser interests where there may be room for compromise. China has stated that Taiwan and Tibet are core interests but, while there has been a likely misunderstanding over language, it appears probable that the SCS is not.⁵²

Unfortunately, the qualification 'appears' is important, as determining China's intent is complicated by the nature of its policy making. The Ministry of Foreign Affairs, which might be assumed to be the arbiter of China's SCS policy, is largely ineffective in this role⁵³ due to the 11 ministerial-level government agencies, five law enforcement agencies, and powerful Chinese energy companies that have interests or some degree of authority in the SCS.⁵⁴ Consequently, China has been assessed to have 'no high-level long-term policy' towards the SCS.⁵⁵

⁴⁹ Jacqueline Newmyer-Deal, 'China's Nationalist Heritage', *The National Interest*, January/February 2013, pp. 51-53; Womack, 'The Spratlys' p. 372. Current-day Northeast Asian nationalism, as it relates to territorial disputes, is rooted in historic antipathy and is relevant to other territorial disputes, such as those between Japan and China (the Senkaku/Diaoyu islands), and Japan and South Korea (the Takeshima/Dokdo islands).

⁵⁰ International Crisis Group, 'Stirring Up the SCS (II): Regional Responses', *Asia Report*, No. 229, 24 July 2012, p. 20.

⁵¹ Information Office of the State Council, *The Diversified Employment of China's Armed Forces*, p. 4.

⁵² An outline of the events surrounding this probable misunderstanding can be found in International Crisis Group, 'Stirring Up the SCS (I)', p. 4. A supporting perspective, but differently based, can be found in Qingguo, 'Territorial Disputes in Asia', p. 279.

⁵³ International Crisis Group, 'Stirring Up the SCS (I)', p. 12.

⁵⁴ International Crisis Group, 'Stirring Up the SCS (I)', pp. 8-13.

⁵⁵ International Crisis Group, 'Stirring Up the SCS (I)', p. 1; MacDonald, 'China's Maritime Strategy', p. 9; Goldstein, 'Chinese Naval Strategy in the SCS', p. 321 and pp. 326-337; Shambaugh, 'Coping with a Conflicted China', p. 9. An alternative view is that China has a policy towards the SCS of delay and consolidation. If so, such a policy has inadvertently left room for internal, parochial interests to be pursued at the expense of policy coherence. See Ba, 'Staking Claims and Making Waves in the SCS', p. 274; M. Taylor Fravel, 'China's Strategy in the SCS', *Contemporary Southeast Asia*, Vol. 33, No. 3, December 2011, p. 292.

The Chinese seem to have recognised this, consolidating three maritime agencies under the National Oceanic Administration in March 2013 in order to be more effective and reduce the risk of conflict.⁵⁶ Regardless, the potential for policy and operational inconsistency remains, as disparate Chinese voices urge different approaches ranging from threatening and aggressive⁵⁷ to cooperative development.⁵⁸ Consequently, this paper contends that this fractured policy approach increases the risk of a miscalculation.

If one of the miscalculations identified in this paper does come to pass in the coming decade, then the question of the PLA's capabilities, relative to the US, is critical. The PLA Navy is clearly capable of projecting power into the SCS through the significant numbers of relatively modern submarines and warships it has stationed nearby.⁵⁹ This maritime capability has been strengthened by the construction of naval facilities on Hainan Island, increasing its capabilities to host submarines and possibly allowing the first Chinese carrier, *Liaoning*, to operate from there.⁶⁰

Despite this, the PLA is not yet capable of sustained, joint power projection—particularly airpower—in the SCS.⁶¹ Furthermore, the nature of China's military modernisation will not produce these capabilities in the next ten years: it is focused on capabilities related to Taiwan, while simultaneously developing the capability to become a peer competitor of the US no later than 2050.⁶² Consequently, this paper argues that the PLA will not have the capability to win a major conflict in the SCS in the coming decade. This assessment is supported by the International Crisis Group, which has concluded that 'it is clear to current [Chinese] leaders that to occupy the disputed territories under other claimants' control is not an option'.⁶³

⁵⁶ Teddy Ng, 'China to Consolidate Maritime Security Agencies Under One Body', *South China Morning Post website*, available at <<http://www.scmp.com/news/china/article/1187921/china-consolidate-maritime-security-agencies-under-one-body>>, accessed on 22 April 2013.

⁵⁷ Goldstein, 'Chinese Naval Strategy in the SCS', p. 322.

⁵⁸ International Crisis Group, 'Stirring Up the SCS (I)', p. 35.

⁵⁹ International Crisis Group, 'Stirring Up the SCS (I)', p. 6; Goldstein, 'Chinese Naval Strategy in the SCS', pp. 323-324.

⁶⁰ International Crisis Group, 'Stirring Up the SCS (I)', p. 11.

⁶¹ MacDonald, 'China's Maritime Strategy', p. 12; Andrew Scobell and Andrew J. Nathan, 'China's Overstretched Military', *The Washington Quarterly*, Vol. 35, No. 4, pp. 138-142.

⁶² Jonathan Holslag, 'Trapped Giant: China's military rise', *Adelphi Papers*, Vol. 50, No. 416, 2010, pp. 40-41 and pp. 63-65.

⁶³ International Crisis Group, 'Stirring Up the SCS (I)', p. 29. Additionally, there is a significant issue for China if it were to become involved in a major conflict in the SCS, namely that any significant losses would detract from its short to mid-term ability to retake Taiwan. See Goldstein, 'Chinese Naval Strategy in the SCS', pp. 327 and 338.

Such an assessment does not mean, however, that there is no risk of conflict in the SCS. The main danger appears to be one of miscalculation,⁶⁴ with an example being the February 2013 incident where a PLA Navy ship used its targeting radar against a Japanese warship near the East China Sea.⁶⁵ While the Japanese vessel did not respond aggressively, in such cases the outbreak of conflict may turn on the judgment of relatively junior officers.

Conclusion

The South China is potentially both a treasure chest and a Pandora's box. The area is critical for the oil and resources that flow through it to China and other East Asian nations, the Chinese (and other nations') goods that flow out to the rest of the world, and for the resources that lie beneath it. In addition to its economic significance, the SCS also is politically important, involving the status and reputation of a rising China in respect to other countries, ASEAN, international norms, and the US. The complex issues that result from the interaction of these factors have the potential to lead to conflict.

But when assessing the possibility of significant conflict in the next decade, this paper contends that there are substantially stronger reasons weighing against it, than conspiring for it. The web of regional economic interdependence is sturdy and enmeshing, and political mechanisms exist for discussion and mediation, flawed though they may be. Finally, if conflict did erupt, the Chinese military is highly unlikely to be able to defeat the US military in the SCS.

All these factors indicate that, in a rational world, conflict over the SCS will serve no nation's interest. Regardless, this paper acknowledges the possibility of miscalculation leading to incident or conflict in the SCS but argues that any such flare-up will be minor or containable. Overall, this paper concludes that the political, military and economic calculus is such that—in the absence of serious miscalculation—the NSS has correctly assessed that significant conflict between the US and China is unlikely in the SCS.

⁶⁴ The NSS specifically recognises the possibility of miscalculation leading to conflict, although it includes the East China Sea and North Korea as other potential causes. See Department of The Prime Minister and Cabinet, *Strong and Secure*, p. 27.

⁶⁵ Martin Fackler, 'Japan Says China Aimed Military Radar at Ship', *The New York Times website*, available from <http://www.nytimes.com/2013/02/06/world/asia/japan-china-islands-dispute.html?_r=0>, accessed 22 April 2013.

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