

Sea of discontent threatens more than Asian unity

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Where is Australia most vulnerable?

Some analysts argue we should worry about Australia's southeast, where the vast proportion of our population and economic activity occurs not far from the coast. Others are concerned about the northwest, where so much of our minerals and energy production is located, -- but with little in the way of population or infrastructure to protect it.

We're right to be protective of our population and resource centres, but neither the southeast nor the northwest are likely to be attacked any time soon.

Few Australians realise that we are most vulnerable in the South China Sea, a narrow waterway 2500km northwest of Darwin, wedged between the Asian continent and The Philippine archipelago. One-third of global shipping passes through its waters, as do close to 90 per cent of the energy imports to the powerhouses of Japan, China, South Korea and Taiwan.

Two sets of disputes make the South China Sea more dangerous and unpredictable than the standoffs over Taiwan or the Korean peninsula. The first are overlapping territorial claims by China and four southeast Asian states: Vietnam, The Philippines, Malaysia and Brunei. All except Brunei have occupied islands in the South China Sea, and there are regular maritime clashes between fishermen, oil exploration ships and naval or coastguard vessels as the claimants refuse to concede ground.

The other stand-off is between China and the US. Since 1992, Beijing has claimed the South China Sea as its territorial waters -- meaning foreign ships and aircraft should seek its permission before entering. As China's naval power has grown, so has its willingness to challenge shipping in the South China Sea -- including the US Navy ocean surveillance ship Impeccable in 2009. The US rejects China's claim, and maintains that the shipping lanes in the South China Sea are international waters, and therefore open to free navigation.

The result is a complex and tangled dispute that is escalating by the month. In recent weeks, Beijing has included three island groups in the South China Sea under its administration, established a 45-member legislature to represent the 1100 people who live on the islands, and approved the deployment of a People's Liberation Army garrison to the islands. Vietnam has passed a law claiming two of those island groups as its territory. And The Philippines and China have just avoided an ugly standoff after a Chinese ship ran aground on an island claimed by both Beijing and Manila.

Usually, regional institutions or international law would offer the chance of a resolution, but in the South China Sea they make the situation worse. Beijing refuses to deal through regional bodies, which it thinks will allow others to gang up on it, while The Philippines and Vietnam refuse to deal with China other than through regional bodies.

International law actually ratchets up the tension, because the disputants cannot let each other's claims go uncontested for fear they'll be seen to have relinquished their own claims.

Why should Australia care? For a start, 54 per cent of our trade passes through the South China Sea, including more than 90 per cent of the iron ore and coal exports that we have come to depend on. Then there's the bigger picture underlying the US-China standoff: if Beijing is able to exclude the US Navy from the South China Sea, it will substantially change the strategic balance in the Pacific. US alliances with The Philippines, South Korea and Japan will become untenable, and the entire basis of stability in the Pacific and Australia's security will be undermined.

Finally, there's the effect the dispute is having on southeast Asia. We've enjoyed nearly 40 years of peace to our north because of the region's ability to put aside its differences and become stable

enough that there's been no competition among the great powers in this strategically crucial area. The South China Sea dispute, by fracturing southeast Asia's solidarity and drawing in competing great powers, is bad news for our northern neighbours -- and for us.

None of the options for managing and resolving the disputes on the table have any chance of working, and so new initiatives must be found. Canberra is not a party to the dispute nor a great power, and therefore is well placed to play a significant role in proposing and brokering a solution. We've played this sort of role before. In the early 1980s, foreign minister Bill Hayden realised that the standoff between China, Vietnam and the rest of southeast Asia over Cambodia was bad for the region, and therefore bad for Australia.

His work in trying to broker a solution to the issue paid dividends in the end.

Australia should play such a role in the South China Sea.

Lowy Institute executive director Michael Wesley's report, *What's at stake in the South China Sea?*, is available on the Lowy website