



TERRITORIAL DISPUTES IN THE SOUTH CHINA SEA: THE VIEW FROM CHINA

The South China Sea disputes involve both island and maritime claims among several sovereign states within the region, namely Brunei, China, Taiwan, Malaysia, Vietnam, and the Philippines. There are disputes about the Paracels and the Spratlys island chains, as well as maritime boundaries in the Gulf of Tonkin. The South China Sea plays a significant role in the geopolitics of the region. It is a critical gateway for world's commercial merchant shipping with \$5 trillion annual average cargo transshipment. Moreover, it contains rich fishery resources, as well as significant hydrocarbon reserves estimated at 11 billion barrels of oil and 190 trillion cubic feet of natural gas. Therefore, countries that have competing claims over the territory in the South China Sea are interested in both controlling commercial and military navigation, providing water areas for fishing and ensuring the potential offshore oil and gas exploration.

Competing claims of territorial sovereignty in the South China Sea have been a longstanding source of distrust in the region. China makes the largest claim in the South China Sea within a U-shaped nine-dash line map published by the Chinese Government in 1947. According to that nine-dash line, which is considered by China as evidence of historical usage of the Paracels and the Spratlys island chains, Beijing could claim over 80% of the South China Sea. This ambiguity has increased the tension and made negotiations among the South China Sea claimants difficult. Nowadays, the Paracel Islands are the subject of claims by China, Vietnam and Taiwan, while the Spratly Islands are occupied by claimants, namely, by Taiwan, Vietnam, the Philippines, China and Malaysia.

The current round of tensions in the South China Sea can be dated back to 2009. Malaysia and Vietnam made a joint submission to the Commission on the Limits of the Continental Shelf (CLCS) for the southern part of the South China Sea on May 6, 2009. The goal of submission was to have the right to own an area where the continental shelf of the two coastal states extends beyond 200 nautical miles from the respective baselines. China responded by submitting an objection to the CLCS by decrying Vietnamese and Malaysian claims to the area.

In 2012, China started actively to assert its jurisdiction in the South China Sea under the

nine-dash line. For instance, in June 2012 China announced about upgrading the administrative level of Sansha city located on the Paracel Islands from county-level to a prefecture-level city of Hainan province. One month later, it was announced that a People's Liberation Army (PLA) garrison would be established in this area. Moreover, in recent years, China has built three airstrips on the contested Spratly Islands and militarized Woody Island by deploying fighter jets, cruise missiles and a radar system.

As a result, on January 22, 2013, the Philippines instituted arbitral proceedings against China under Annex VII to the UN Convention on the Law of the Sea (UNCLOS). The Permanent Court of Arbitration (PCA) under the UNCLOS acts as the Registry in this arbitration. However, China repeatedly stated that the arbitration concerned the role of historic rights and the source of maritime entitlements in the South China Sea initiated by the Philippines lacks jurisdiction in this matter.

It should also be highlighted that the establishment of new military garrison in the disputed area by the PLA appeared to challenge the U.S. military activity in the region. Actually, non-claimants want the South China Sea to remain as international waters, in which the U.S. conducts military navigation operations freely. However, China considers that under international law foreign militaries cannot conduct intelligence-gathering activities in its 200 nautical miles' exclusive economic zone. In an effort to maintain sovereignty over the territorial waters, the PLA Navy even caused a number of incidents in the South China Sea. For instance, on December 5, 2013, the PLA Navy ship reportedly placed itself in the path of the U.S. Navy guided-missile cruiser USS Cowpens, forcing the cruiser to take evasive action to avoid a collision.

It should be noted that Chinese national oil companies have indirectly made territorial assertions of the South China Sea. On May 2, 2014, the state-owned China National Overseas Oil Corporation (CNOOC) moved a large exploratory oil rig into waters that Vietnam considers as its continental shelf. The rig was launched in 17 nautical miles from Triton Island, which is a part of the disputed Paracel Islands. Around 80 Chinese ships reportedly entered the area escorting the rig and even

fired high-power water cannons at Vietnamese ships attempted to get them to leave the area. The incident caused anti-Chinese protests throughout Vietnam. China has warned its Southeast Asian neighbors against drilling oil and gas in the contested region, which has disrupted other nations' oil exploration and seismic survey activities.

It took 3 years for the PCA to make a decision on the arbitration case, which was brought by the Philippines against China concerning the legality of Beijing's nine-dash line claim over the South China Sea. On July 12, 2016, the PCA in the Hague ruled in favor of the Philippines in 7 of 15 the Philippines' submissions. The tribunal also stated that China has no historical rights to have sovereignty over the disputed areas based on the nine-dash line map. However, China clearly indicated that Beijing would ignore the ruling against its maritime claims in the South China Sea. Moreover, on September 12-19, 2016, China and Russia even held naval drills in the South China Sea that included an "island seizing" exercise.

To conclude, territorial and jurisdictional disputes in the South China Sea continue to strain relations between China and other countries in Southeast Asia, risking a military escalation. The failure to reach consensus on resolving the disputes by diplomatic means could increase destabilizing arms buildups in the region. The South China Sea dispute is not just an isolated issue for Chinese leaders in Beijing. It is rather an important part of the rising process of China, which demonstrates the nation's capabilities to protect its interests, sovereignty and image as a great power. Therefore, the significance of the South China Sea disputes goes beyond the estimated value of potential energy resources. It largely depends on the high tension between China's ambitions of reestablishing itself as a great power and the U.S. objectives of safeguarding its supremacy and keeping favorable alliances and partnerships in the region. Therefore, without Chinese intention to clarify its claims according to the international law, it would be extremely difficult to identify areas for potential cooperation and to resolve the South China Sea dispute.

Politics, Foreign Affairs and Security

- The President of Kazakhstan, Nursultan Nazarbayev, signed a decree to create the Ministry of Defense and Aerospace Industry. It was noted that the main activities of the Ministry include the implementation of state policy in the field of defense, aerospace and electronics industries and cybersecurity.
- According to the Central Election Commission of Georgia, the latest preliminary results of parliamentary elections showed that two leading parties, the Georgian Dream (48.61%) and the United National Movement (27.04%) could manage to overcome the 5% threshold for entering the Parliament. The third party, namely, the Alliance of Patriots obtained only 4.99% of votes.
- During the 12th European Union-Central Asia Ministerial Meeting, held in Brussels, the High Representative of the Union for Foreign Affairs and Security Policy, Federica Mogherini, and the Foreign Ministers of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan discussed international issues of mutual interest, with a focus on common threats and challenges, stability, migration and economic growth.
- The 23rd World Energy Congress with participation of the President of Turkey Recep Tayyip Erdogan, the President of Russia, Vladimir Putin, the President of Azerbaijan, Ilham Aliyev, and the President of Venezuela, Nicolas Maduro, was held in Istanbul. During the meeting, the parties discussed further development of mutual energy relations.
- During the Russia – Kazakhstan Inter-regional Cooperation Forum held in Astana, the parties signed an intergovernmental agreement on the preservation of the Ural River ecosystem, a protocol amending the intergovernmental agreement on the legal regulation of railway companies.
- During his working visit to Uzbekistan, the President of Belarus, Alexander Lukashenko, and his Uzbek counterpart, Shavkat Mirziyoyev, discussed the opportunities for the development of trade and economic cooperation.
- During his official visit to Dushanbe, the Minister of Foreign Affairs of Uzbekistan, Abdulaziz Kamilov, and the President of Tajikistan, Emomali Rahmon, discussed the Tajik – Uzbek relations and the ways of further development in these relations.
- The President of Russia, Vladimir Putin suspended a treaty with the U.S. on cleaning up weapons-grade plutonium. Moreover, Russia also terminated an agreement between its nuclear cor-

poration Rosatom and the U.S. Department of Energy on feasibility studies about the conversion of Russian research reactors to low-enriched uranium.

- The U.S. Department of State reported that the U.S. suspended bilateral contacts with Russia over Syria. It was also reported that the U.S. is withdrawing personnel that should have taken part in the creation of a joint U.S. – Russia center.

Economy, Finance and Energy

- According to the Deputy Chief Executive Officer of Gazprom, Alexander Medvedev, the company signed a memorandum with Shell on the marketing model for the Baltic LNG project. The project contemplates the construction of a LNG plant in the area of Ust-Luga seaport on the Baltic Sea with the capacity of 10 million tons per year and the expansion option up to 15 million tons per year. The plant is scheduled to commission in December 2021.
- The Ministry of Energy of Kazakhstan reported about signing of the memorandum on expanded strategic cooperation in the field of nuclear fuel cycle between Russia's Rosatom and Kazakhstan's nuclear power company Kazatomprom.
- The main electricity producer of Azerbaijan, Azerenergy, reported that in January-September 2016 period the company's power plants generated 16.5 billion kWh of electricity compared to 16.8 billion kWh generated in the same period of 2015. It was also noted that Azerenergy's power plants produced about 1.7 billion kWh of electricity in September 2016. In 2015, Azerenergy produced more than 22.5 billion kWh of electricity compared to 22.7 billion kWh generated in 2014.
- During her official visit to Uzbekistan, the Director for Central Asia of World Bank (WB), Lilia Burunciuc, met with the Uzbek officials and discussed a \$100 million loan for a five-year program launched to create 500,000 new jobs as part of the WB's new Country Partnership Framework for Uzbekistan for 2016-2020.
- According to the World Economic Outlook of the International Monetary Fund (IMF), Azerbaijan's GDP would decrease by 2.4% and 1.4% in 2016 and 2017 respectively. It was also stated that average inflation in 2016 measured on customer price index would decrease to 10.2% compared to previous 12% forecast. The IMF stated that in 2017 the average annual inflation would reach 8.5% (down from 9.5% expected earlier), while unemployment rate is expected at 6% in 2016-2017.

- The Deputy Minister of Taxes of Azerbaijan, Ilkin Valiyev, announced that the forecast about the state budget's tax revenues in January-September 2016 period was completely fulfilled. The total amount of tax revenues to Azerbaijan's state budget through the Ministry of Taxes amounted to \$3.04 billion. In comparison with January-September 2015, the tax revenues increased by \$226 million. It was also noted that the revenue forecast on the non-oil sector of Azerbaijan was over-fulfilled by almost \$40 million and reached \$2.35 billion.
- According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, the inflation rate measured on customer price index hit 5.6% in the first three quarters, while the inflation rate amounted to 16.6% year-on-year. It was noted that food prices, non-food items' prices and paid services' prices have increased by 4.9%, 6.8% and 5.3% respectively since early 2016.
- The acting President of Uzbekistan, Shavkat Mirziyoyev, signed a decree on additional measures to ensure the accelerated development of entrepreneurship, the full protection of private ownership and qualitative improvement of the business climate in the country. In particular, starting from January 1, 2017, all kinds of unscheduled inspections over activities of business entities, counter checks of activities of business entities, including in criminal cases, will be abolished.
- According to the Ministry of Agriculture of Kazakhstan, the gross output of livestock production amounted to \$3.11 billion in January-August 2016 period. In the reporting period the livestock production grew by 7.8%. It was also noted that between 2016-2018, the Ministry plans to provide more than 75,000 people with a permanent job in agriculture.

Society and Culture

- The General Prosecutor's Office of Uzbekistan together with the country's Supreme Court, the Ministry of Justice, the Ministry of Interior and the National Security Service were instructed to develop a draft law "On combating corruption" in two months period.
- Turkish officials report that the country had 2 terroristic bombings last week. The Governor of Istanbul Province, Vasip Sahin reported that a motorcycle bomb exploded near a police station in Istanbul, wounding at least 10 people. The second bomb blasted outside a military checkpoint in Hakkari, a city in the Southeastern Turkey, killing 10 soldiers and 8 civilians.