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ABN # 65 648 097 123



Background Briefing:

Why Did Vietnam Suspend Oil Drilling in Block 136-03?

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July 25 , 2017

We request your assessment of Vietnam's recent cancellation of oil drilling in the South China Sea.

Q1- Were you surprised when Vietnam backed down so quickly?

ANSWER: What surprised me was that China threatened to use force against Vietnamese bases in the South China Sea if oil drilling continued without, it would appear, any forewarning. I had assumed China would engineer some indirect use of intimidation to signal Vietnam first.

Q2- So far all reports on this development come from the BBC's Bill Hayton. Did you have an independent source about Vietnam directing Talisman-Vietnam to suspend oil drilling in block 136-03?

ANSWER: I was told on 15 July that Vietnam has asked Repsol to halt its oil drilling activities in block 136-03. This was reported a *Thayer Consultancy Background Brief* issued the same day. The BBC cited industry sources while my source was a trusted Vietnamese working in Hanoi.

Q3- Is it possible that Vietnam did this because of China's threats to attack Vietnamese bases in Spratly Islands?

ANSWER: What we do not know is whether General Fan Changlong delivered a threat during his visit to Hanoi or whether the threat was delivered after his departure. If the BBC sources are correct Vietnam would have been prudent to suspend drilling before deciding on what action to take next. It is now being claimed that China delivered its threat to the Vietnamese Ambassador in Beijing. The threat was considered by the Politburo on July 14 and they agreed to stop drilling. There is currently some uncertainty over whether China actually threatened force.

Q4- What does China's move tell you about its behavior?

ANSWER: China's reported threat to Vietnam forms part of a pattern of increased bellicosity from China. President Rodrigo Duterte from the Philippines has spoken openly in May, before China's current threat to Vietnam was made, that Xi Jinping threatened to "go to war" if the Philippines resumed oil exploration and drilling in Recto Bank. The recent Chinese Air Force intercept of U.S. Air Force WC-135 Constant Phoenix aircraft over the East Sea is the most recent example of China

intercepting U.S. flights over the East and South China Seas. China is currently conducting naval exercises in the Baltic with the Russian Navy.

Q5- What would happen if Vietnam continued drilling for oil with Repsol?

ANSWER: China undoubtedly would interfere. China has many options: it might attempt to cut the cable of the oil drilling vessel, it could deploy fishing boats with embedded maritime militia, China Coast Guard vessels or even People's Liberation Army Navy warships to stop drilling in Block 136-03. Additionally, China could cut off Vietnamese supply vessels. And at the extreme end of the spectrum, China could fire warning shots at the exploration vessel or, as threatened, take some form of limited military action against one of features that Vietnam occupies. The maritime area around Vanguard Bank hosts fifteen technical support services platforms built on stilts that are highly vulnerable.

Q6- Was Vietnam trying to avoid confrontation with China or there are any other reasons behind this in your view?

ANSWER: Vietnam always uses both diplomacy and a demonstration of resolve in responding to Chinese actions. From the facts available, it would appear that Vietnam responded to an unprecedented threat to use force by China by standing down in order to buy time to map out a strategy. At the moment, the Vietnamese press has been silent and the Foreign Ministry unusually quiet. Vietnam does not want to precipitate an incident in which it comes off second best. Vietnam will need time to mobilize international opinion and seek support from Japan, the United States, India, Australia and Europe. Vietnam must also meet with representatives of foreign oil companies presently operating in Vietnam's Exclusive Economic Zone to share assessments. And, finally, Vietnam will have to press China through diplomatic and other channels to resolve the matter peacefully.

Suggested citation: Carlyle A. Thayer, "Why Did Vietnam Suspend Oil Drilling in Block 136-03?" *Thayer Consultancy Background Brief*, July 25, 2017. All background briefs are posted on Scribd.com (search for Thayer). To remove yourself from the mailing list type, UNSUBSCRIBE in the Subject heading and hit the Reply key.

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