

A Difficult Summer in the South China Sea

Chinese coercive activities persist in one of Asia's hottest flashpoints.

By Carl Thayer

In July, a China Geological Survey ship, the Haiyang Dizhi 8, entered Vietnam's exclusive economic zone (EEZ) and commenced seismic surveying in waters near Vanguard Bank. The Haiyang Dizhi 8 was accompanied by several escorts including China Coast Guard (CCG) ships.

China's actions were in blatant violation of international law because it had not sought, nor was it given, permission by Vietnam to conduct a seismic survey. Under international law, Vietnam has sovereign jurisdiction of the relevant waters and seabed. Vietnam has the exclusive right to exploit all marine resources in the water column in its EEZ, as well as resources on its continental shelf. Vietnam responded by sending a small number of Vietnam Coast Guard (VCG) ships and other vessels to monitor the situation.

China's actions precipitated a three-month diplomatic standoff that shows no sign of ending. This article discusses why the South China Sea is important to the international community, provides historical background relating to Vanguard Bank, discusses current Chinese maritime operations and the response by Vietnam and the international community.

Importance of the South China Sea

The South China Sea is a semi-enclosed sea stretching from northern Taiwan southward to the Straits of Malacca, bordered by the Philippines on the east; China, Vietnam, Malaysia and Singapore to the west; and Indonesia, Brunei, and the Malaysian states of Sarawak and Sabah to the south, according to the International Hydrographic Organization.

The South China Sea is a vital artery for international commercial shipping connecting the Persian Gulf and Indian Ocean with the western Pacific through the Straits of Malacca and Singapore as well as straits in the Indonesian archipelago. These maritime routes, or sea lines of communication (SLOCs), are the second busiest in the world and carry goods estimated at \$5.3 trillion per year or 30 percent of global trade.

The SLOCs that traverse the South China Sea split into two main routes in order to avoid the "dangerous waters" comprising reefs and rocks in the middle; one route runs parallel to the west coast of the Philippines, while the other route runs west paralleling Vietnam's coast. These SLOCs carry oil and liquified natural gas (LNG) that are absolutely vital for the economies of northeast Asia. Fifty percent of China's oil imports and 65 percent of petroleum imports to Japan, South Korea and Taiwan traverse the South China Sea. The SLOCs and airways above the South China Sea are also a vital military artery for maritime powers, particularly the United States.

The South China Sea is economically important in its own right. It reportedly contains huge hydrocarbon reserves. Some analysts claim that the South China Sea is "China's Persian Gulf." The China National Offshore Oil Company (CNOOC) has produced estimates that are much greater than those produced by the U.S. Energy Information Agency (EIA). The EIA estimates that there are 190 trillion cubic feet of natural gas and 11 billion barrels of oil in proved and

probable reserves in the South China Sea. Current oil reserves are being depleted and LNG reserves in the south of the South China Sea are now the most promising source of hydrocarbon energy.

The South China Sea is economically important in another respect, it contains about 12 percent of the world's total fish catch valued at some \$21 billion. Currently, due to coastal pollution and overfishing, the fish stock off the coasts of China and Vietnam are being rapidly depleted. Fishermen now push further south into Indonesia's EEZ.

Vanguard Bank

Vanguard Bank is a submerged reef lying to the southeast of Vung Tau city in the southern South China Sea. It is not physically part of the Spratly Islands. In 1989, Vietnam constructed two economic-science-technology service support structures (dịch vụ kinh tế-khoa học-kỹ thuật or DV for short), DK1/1 and DK1/5, mounted on steel trusses, at Vanguard Bank.

The waters around Vanguard Bank fall within Vietnam's 200 nautical mile EEZ and continental shelf. The waters around Vanguard Bank are located in Vietnam's Nam Con Son Basin, where oil exploration and production has taken place for over two and a half decades. Underwater pipelines connect oil blocks to on-shore refineries. These waters contain reserves estimated at 45 million barrels of oil and 172 billion cubic feet of gas. Block 06-1, currently operated by Russia's Rosneft Vietnam, supplies about 10 percent of Vietnam's total energy needs.

From 1992-1996, oil exploration activities near Vanguard Bank became a public bone of contention between Vietnam and China. In 1992, China passed a Law on Territorial Sea and Contiguous Zone that laid claim, among other things, to the waters around Vanguard Bank. Both China and Vietnam claim sovereign jurisdiction over the 25,155 square kilometres of water comprising Vanguard Bank and both have offered overlapping contracts to foreign oil companies.

In May 1992, China awarded Crestone Energy Corporation, an American company with offices in Denver, Colorado, a seven-year oil contract to explore for oil in Vanguard Bank or Wan'an Bei (WAB-21). At the same time, Vietnam signed an agreement with NOPEC, a Norwegian company, to conduct seismic surveys in an area that overlapped with WAB-21. Both China and Vietnam exchanged protests. In May 1993, Vietnam contracted Norway's STATOIL to conduct seismic surveys in the waters around Vanguard Bank.

Tensions rose again in 1994. In February, China pressed Conoco to halt negotiations with Vietnam's state oil company, PetroVietnam, for operations in the Vanguard Bank area overlapping WAB-21. In April of that year, PetroVietnam signed a production sharing contract with a consortium led by Mobil Corporation for Block 5-1b (Blue Dragon) also in waters near Vanguard Bank.

Matters came to a head when Crestone completed its seismic surveys and began to drill test oil wells. China claimed that Vietnam began to harass its "scientific surveys" and its fishing boats. Vietnam responded by deploying an oil drilling rig to Vanguard Bank. In July 1994 two Chinese vessels blocked the rig and forced a supply ship to withdraw.

As a result of behind-the-scenes discussions, China and Vietnam prevented the situation from escalating to armed conflict at sea. However, both sides continued to exchange verbal barbs. In 1994-95, Vietnam erected three service support structures, DK1/11, DK1/12 and DK1/14, in Vanguard Bank to replace the original DK1/1 and DK1/5 that were no longer serviceable. Each is equipped with a helipad mounted on a steel base.

Twenty-three years later, Vanguard Bank once again featured as an irritant in Sino-Vietnam relations. In 2017, China reportedly threatened to use force if Vietnam continued to explore for oil. That July, Vietnam terminated its contract with Repsol of Spain as the lessee for the deep-water drilling ship Deepsea Metro I operating in Block 136-03 in the Vanguard Bank area. In March 2018, Vietnam suspended oil exploration in Block 07/03 (Red Emperor) also in response to Chinese pressure. If oil and gas in these two blocks began production, it is expected they would be commercially viable for 10 years.

The 2019 Standoff at Vanguard Bank

Russia's Rosneft Vietnam has been conducting commercial oil exploration activities in Block 06-1 in the Nam Con Son Basin for six years. Last year, Rosneft contracted the Japan Drilling Company to lease the Hakuryu-5, a semi-submersible oil rig, to drill new production wells in Block 06-01. The Hakuryu-5, commenced drilling on May 12 this year. China responded by dispatching China Coast Guard (CCG) ship no. 35111 on June 16 to patrol the area.

On July 2, the CCG ship began harassing two service vessels, Sea Meadow 29 and Crest Argus 5, that were assisting the Hakuryu-5. Vietnam responded by announcing on July 26 that the operations of the Hakuryu-5 rig would be extended from July 30 to September 15. The following month China's Foreign Minister Wang Yi met Russian Foreign Minister Sergei Lavrov on the sidelines of ASEAN's ministerial meeting in Bangkok and reportedly asked his counterpart to stop Rosneft's operations. Lavrov declined.

On July 3, two CCG ships (12,000 tonne no. 3901 and 2,200 tonne no. 37111), escorted the Haiyang Dizhi 8 (Marine Geology 8) survey vessel into Vietnam's EEZ to carry out seismic tests in waters to the northeast of Vanguard Bank, the original WAB-21 concession. The Haiyang Dizhi 8 and its escorts were joined by an assortment of Chinese vessels totalling 35 at its peak. These included Maritime Militia trawler Yu0014, a logistic ship, and numerous fishing boats.

Initially, two Vietnamese Coast Guard (VCG) ships were sent to monitor the situation. On July 12, a major confrontation took place between two CCG vessels and four VCG patrol boats during which water cannons were used and blank shots reportedly fired. As a result, Vietnam dispatched reinforcements to the area.

Throughout the past four months the operations of the Haiyang Dizhi 8 have been monitored through its Automatic Information System (AIS) that transmits its location through an on-board transponder. The Haiyang Dizhi 8's initial survey lasted from July 4-17. It left Vietnam's EEZ on two occasions (August 7-13 and in late September) to resupply and replenish at nearby Fiery Cross Reef, one of China's seven artificial islands. On its third return to Vietnamese waters the Haiyang Dizhi 8 proceeded to make several passes through foreign-owned blocks off the coast of central Vietnam.

Vietnam's Response

Vietnam has responded to China's intrusive actions in the Vanguard Bank area in a very low-key and restrained manner. Vietnam's strategy consists of five major components. First, Vietnam has deployed its maritime law enforcement forces to assert its sovereign jurisdiction by peacefully challenging and monitoring China's actions in Hanoi's EEZ. Second, Vietnam has made numerous diplomatic and other approaches to Beijing protesting its actions, calling for self-restraint, and demanding a halt to illegal activities and withdrawal of ships and vessels from Vanguard Bank. Third, Vietnam has strongly asserted its support for international law, including the United Nations

Convention on the Law of the Sea (UNCLOS), a rules-based order, freedom of navigation and overflight and the right to defend national sovereignty by peaceful means. Fourth, Vietnam has appealed to the international community for support. Fifth and finally Vietnam has kept a tight lid on domestic media coverage in order to forestall any violent outburst of anti-China sentiment.

Vietnam remained quiet for nearly two weeks after the Haiyang Dizhi 8 intruded into its EEZ. Then Vietnam began to issue vague statements about the maritime confrontation without mentioning China or Vanguard Bank by name. On July 16, for example, Le Thi Thu Hang, spokesperson for Vietnam's Ministry of Foreign Affairs, replied to journalists who asked about developments in the South China Sea, referred to in Vietnam also as the East Sea, "As we have asserted many times before, Viet Nam has sovereignty, sovereign rights and jurisdiction over the waters in the South China Sea... Without Viet Nam's permission, all actions undertaken by foreign parties in Vietnamese waters have no legal effect, and constitute encroachments in Vietnamese waters, and violations of international law and the 1982 United Nations Convention on Law of the Sea."

On July 17, Vietnam issued a statement on the intrusion of Chinese vessels into its EEZ, but once again did not mention China or Vanguard Bank by name. Significantly, Vietnam made a call for support from the international community. Spokesperson Thu Hang stated, "Maintaining order, peace and security in the South China Sea is a common interest of countries inside and outside the region as well as the international community. Therefore, Vietnam expects related countries and the international community to work together to contribute to the protection and maintenance of this common interest."

Two days later, on July 19, Thu Hang finally confirmed that "Over the last several days, the Chinese survey ship, Haiyang Dizhi 8, and its escorts conducted activities in the southern area of the East Sea that violated Vietnam's exclusive economic zone and continental shelf." Thu Hang also revealed that "Vietnam has contacted China on multiple occasions via different channels, delivered diplomatic notes to oppose China's violations and staunchly demanded that China stop all unlawful activities and withdraw its ships from Vietnamese waters..."

In late July, Vietnam's Ministry of Foreign Affairs prepared a six-page background brief and instructed its diplomatic missions to raise the Vanguard Bank standoff with their counterparts in the United States, Japan, India, Australia, New Zealand, South Korea, France, Germany, United Kingdom and the European Union Mission in New York. According to the background brief, "Viet Nam sent diplomatic notes and made dozens of contacts" with the Chinese Embassy in Hanoi and China's Foreign Ministry and "other relevant Chinese authorities" in Beijing, including "security, defense services and Central Party Commission for External Relations."

Vietnam also took its case to multilateral institutions. For example, Deputy Prime Minister and Foreign Minister Pham Binh Minh used the occasion of the 52nd ASEAN Foreign Ministers' Meeting and related meetings in Bangkok in late July and early August to raise "grave concerns over the recent developments in the East Sea." Minh addressed this issue at the ASEAN-China Ministerial Meeting, 26th ASEAN Regional Forum, and meeting of East Asia Summit foreign ministers. In his public remarks Foreign Minister Minh was circumspect in hewing to ASEAN declaratory policy and not calling out China by name. Minh said the following in his address to the 74th Session of the United Nations General Assembly on September 28:

Viet Nam has on many occasions voiced its concerns over the recent complicated developments in the South China Sea, including serious incidents that infringe upon Viet Nam's sovereign rights

and jurisdiction in our maritime zones as defined by UNCLOS. Relevant States should exercise self-restraint and refrain from conducting unilateral acts which may complicate or escalate tensions at sea, and settle disputes by peaceful means in accordance with international law, including the UNCLOS.

In early October, Vietnam's Ambassador to India Pham Sanh Chau took the unprecedented step of publicly urging Indian Prime Minister Narendra Modi to raise the South China Sea issue with President Xi Jinping at their then-forthcoming informal meeting.

Response by the International Community

The United States was first off the mark to respond to Vietnam's call for support, issuing two strongly worded press statement via the Department of State. U.S. allies Japan and Australia preferred a less confrontational rhetorical approach.

On July 20, the U.S. Department of State issued its first press statement on the South China Sea. It charged China with "repeated and provocative actions" directed at oil and gas exploration and production that undermined energy markets in the region. The statement was quite blunt, "China should cease its bullying behaviour and refrain from engaging in this type of provocative and destabilizing activity."

The United States, Australia and Japan held their annual Trilateral Security Dialogue on August 2. The Joint Ministerial Statement devoted three of its 16 paragraphs to the South China Sea. In point 10 the ministers expressed "serious concern" about China's deployment of advanced weapons systems on its artificial islands," "voiced strong opposition to coercive unilateral actions that could alter the status quo and increase tensions," and "expressed concern about credible reports of disruptive activities in relation to long-standing oil and gas projects in the SCS." In point 11 the ministers noted that the Philippine-China Arbitral Tribunal Award was legally binding on the two parties and called for the demilitarization of disputed features. In point 12, the ministers called for the ASEAN-China Code of Conduct "to be consistent with existing international law, including... UNCLOS; [and] not to prejudice the interests of third parties or the rights of all states under international law..."

On August 4, the Australian and U.S. foreign and defense ministers met in Sydney for the annual AUSMIN consultations. A joint statement issued afterwards closely paralleled that issued by the Trilateral Security Dialogue.

The U.S. Department of State issued its second statement on the South China Sea on August 22. It was specific in calling out China by name: "China's redeployment of a government-owned survey vessel, together with armed escorts, into waters offshore Vietnam near Vanguard Bank on August 13, is an escalation by Beijing in its efforts to intimidate other claimants out of developing resources in the South China Sea (SCS)."

Australian Prime Minister Scott Morrison made an official visit to Vietnam from August 22-24. During a speech to the Australian Chamber of Commerce Vietnam, Morrison took a veiled swipe at China: "We share a vision for an open, inclusive and prosperous Indo-Pacific neighborhood. An Indo-Pacific where we respect each other's sovereignty and independence, because if we allow the sovereignty or independence of any of our neighbors to suffer coercion, then we are all diminished."

The joint statement issued by Prime Ministers Nguyen Xuan Phuc and Morrison, while repeating standard ASEAN formulations on the South China Sea, broke new ground by expressing "concern

about disruptive activities in relation to long-standing oil and gas projects in the South China Sea... the importance of UNCLOS dispute settlement mechanisms and called upon the parties to respect and implement the decisions rendered by these mechanisms... [and] for any Code of Conduct between ASEAN and China to be fully consistent with international law, in particular UNCLOS, without prejudice to the interests of third parties or the rights of states under international law, and support existing inclusive regional architecture.”

On August 28, the spokesperson for the European Union’s Foreign Affairs and Security Policy issued a brief four paragraph statement on developments in the South China Sea. The statement noted that recent unilateral actions in the South China Sea resulted in mounting tensions that represent “a serious threat to the peaceful economic development of the region.” The statement urged “all parties... to exercise self-restraint... and refrain from militarising the region and resolve disputes through peaceful means.” The EU spokesperson suggested that the “parties could also seek third party assistance in the form of mediation or arbitration to facilitate the settlement of their respective claims, if deemed useful.” Finally, the EU offered its full support for “regional ASEAN-led processes... [and] a swift conclusion, in a transparent manner, of the talks on an effective, substantive and legally binding 'Code of Conduct'.”

Conclusion

It is clear from China’s recent intrusion into Vietnam’s EEZ in waters near Vanguard Bank that Beijing has not dropped its long-standing claim to sovereignty over the land features and adjacent waters in the South China Sea. China has been able to press its case because UNCLOS contains no enforcement mechanism. China has preponderant maritime force to occupy stretches of Vietnam’s EEZ indefinitely and coerce Vietnam into standing down current oil exploration and production activities with foreign-owned companies.

The situation in the South China Sea featured at the recent 11th plenum of the Central Committee of the Vietnam Communist Party that met in Hanoi from October 7-12. In his opening address to the plenum, Secretary General Nguyen Phu Trong called on members to make a forecast of likely developments and possible challenges in the South China Sea.

The South China Sea was discussed on the morning of October 12, the sixth and final working day, as part of a report on foreign affairs. This discussion has been given virtually no coverage in the Vietnamese media, suggesting division within the party on how to respond to China.

It seems that major changes to Vietnam’s five-pronged strategy outlined above are unlikely. Secretary General Trong made this clear during a choreographed public visit at a townhall meeting with voters in Hanoi. When asked about the South China Sea, Trong replied, “The principle is independence, sovereignty, territorial unity, but at the same time, stability. There is no period in which the country has had a stable atmosphere this good, so let’s keep it.”

In response to critics, Trong noted, “At this moment there are certain people who intentionally provoke, raise their voices... pretend to be heroes, pretend to be patriots, but what about the Central Committee, the government, the general secretary? Are we not patriots? Are we irresponsible?... Will there be time for us to meet like this if there is war going on in our country?” State media dutifully reported, “the voters said they oppose incorrect and distorted views on sea and island issues, which aimed to erode public confidence in guidelines and policies.”

It remains to be seen if Vietnam’s policy of “independence, sovereignty, territorial unity, but at the same time, stability” can succeed in warding off the challenge of a prolonged presence of

Chinese ships operating in Vietnamese waters at multiple locations, the possible deployment of a mega oil drilling rig in Vietnam's EEZ, and attempts by Chinese ships to interfere with current oil exploration by foreign companies operating alongside Vietnam's state-owned oil company.

The Author

Carl Thayer is emeritus professor at the University of New South Wales and director of Thayer Consultancy. He is a Southeast Asia regional specialist who taught at the Australian Defence Force Academy, Asia-Pacific Center for Security Studies, Australian Command and Staff College, and Centre for Defence and Strategic Studies, Australian Defence College.