



Hot Spots East and South China Seas and the Importance of Crisis Management

A European Perspective

Dr Peter Roell

September 2015

Abstract

Over the last five years, tensions have increased between the People's Republic of China and a number of neighbouring states involving territorial disputes in the East and South China Seas. In some cases, there have been threats of armed conflict. China's increasingly aggressive behaviour has prompted fears that long-simmering conflicts may well escalate. The author's analysis focusses on one major hotspot in the East China Sea – the five small Senkaku/Diaoyu Islands – and the ensuing relations between Japan and China. He goes on to consider additional hotspots in the South China Sea, concentrating on the territorial disputes between Vietnam and China, and the Philippines and China. He also takes a look at the two main power players in the Asia-Pacific Region, the United States and the People's Republic of China.

To manage and solve the challenges prompted by the hotspots in the East and South China Seas, Open Source Information (OSINT) and Intelligence are indispensable elements for crises management, before, during and after they occur. Thus, the author gives a brief overview of the Intelligence Centre of the European Union (EU INTCEN). By way of conclusion he proposes some recommendations – elements of strategy – which may prove helpful for advancing the valuable work of the Intelligence Services in managing territorial disputes in the East and South China Seas, and potential crises in general.

About ISPSW

The Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) is a private institute for research and consultancy. The ISPSW is objective and task oriented and is above party politics.

The increasingly complex international environment of globalized economic processes and worldwide political, ecological, social and cultural change, brings with it major opportunities but also risks: thus, decision-makers in the private sector and in politics depend more than ever before on the advice of highly qualified experts.

ISPSW offers a range of services, including strategic analyses, security consultancy, executive coaching and intercultural competency. ISPSW publications examine a wide range of topics connected with politics, economy, international relations, and security/ defense. ISPSW network experts have worked – in some cases for several decades – in executive positions and thus dispose over wide-ranging experience in their respective fields of expertise.



Analysis

Preliminary Remarks

Mr. Chairman, Excellencies,
Distinguished Colleagues, Ladies and Gentlemen,

When receiving an email from Professor KOO in June inviting me to the 21st International Seminar on Sea Names, on August 24-26 in Helsinki, I promptly answered in the affirmative, namely, that it would be a great pleasure and honour to join this high level discussion. Our institute (ISPSW) has supported the strategic dialogue on maritime issues with “The Sea Lanes of Communication (SLOC) Study Group Korea, in cooperation with the Konrad-Adenauer-Foundation since 2011, and I have always appreciated these fruitful and inspiring dialogues.

Over the next 20 minutes, my statement will focus on four points:

1. Main hotspots in the East and South China Seas
2. The Role of the United States and China in the Asia-Pacific Region
3. The Importance of the EU Intelligence Centre (EU INTCEN) for Crisis Management
4. Ten Recommendations

1. Main Hotspots in the East and South China Sea

Over the last five years, tensions have increased between China and a number of neighbouring states over territorial disputes in the East and South China Seas. In some cases, there have been threats of armed conflict. China’s increasingly aggressive behaviour has caused fears that long-simmering conflicts may well escalate.

Looking at one major hotspot *in the East China Sea* – the five small Senkaku/Diaoyu Islands – and the relations between Japan and China in the last few months, one notes a cautious approach on either side following the initial meeting between Japanese Prime Minister Shinzo Abe and Chinese President Xi Jinping in November 2014.

On January 12, 2015 defence officials from both sides met in Tokyo to ascertain possible areas of cooperation. They reaffirmed their commitment to establishing a maritime air and sea communication mechanism to prevent crisis in and above the East China Sea.

In March 2015 the media reported that China and Japan have indeed agreed to establish a “maritime communication hotline” as a means of defusing tense naval standoffs in the East China Sea. Whether or not the disputes between Japan and China over the Senkaku/Diaoyu islands – but also bilateral relations in general – can be improved and better managed has yet to be seen.

Either way, this success fits well into the new foreign policy approach put forward by Chinese President Xi Jinping in a keynote address to Chinese political, military and business elites last November, which gives priority to relations with neighboring states and to enhancing regional cooperation. In this scenario Japan plays an important role.



Looking at East Asia I would like to emphasise the importance of a political and military event that took place in December of last year. The event in question was the signing of a MoU between Japan, South Korea and the United States. The Memorandum outlines the very first exchange of military information between Japan and South Korea, although the scope of shared information is limited to North Korea's nuclear and ballistic missile programmes. It must be noted that the two Asian countries are not prepared to share information directly, but only via the United States as a third party, and that the intelligence-sharing agreement is not legally binding.

Although we should not expect too much from this agreement when it comes to the content of intelligence itself, the MoU does point in the right direction, politically speaking. Japan, South Korea, the United States and also the European Union share similar interests in this matter, for example, keeping the Sea Lanes of Communication (SLOCs) open. Commensurate with the deepening trust and confidence between Japan and South Korea the exchange of information may well be expanded, including into the maritime domain.

Additional hotspots can be identified in the South China Sea, above all the tensions between both Vietnam and China, and the Philippines and China. On May 5, 2014 Vietnam denounced China for setting up an exploration rig in waters off its central coast disputed by the two countries. Vietnam claimed that the rig's placement is within its Exclusive Economic Zone (EEZ), whereas a spokesman from China's Foreign Ministry stated that the rig was erected within Chinese territorial waters.

The dispute escalated rapidly. At least 21 people were killed and nearly 100 injured in Vietnam on May 15 following violent protests against China. Crowds set fire to industrial parks and factories, hunted down Chinese workers and attacked police during riots. The protest compelled Chinese nationals to vacate Vietnam due to fears for their safety.

Interestingly, the Chinese oil-rig began moving to its new location near China's island of Hainan on July 15 – an area undisputed with other nations. During the visit of Le Hong Anh in Beijing on August 27, member of the Vietnamese politburo, and in his discussion with Chinese President Xi Jinping, both sides were keen to restore normalcy to their otherwise strained relations. Le Hong Anh's visit was followed by a number of significant visits and meetings by other leaders and high-ranking officials from both sides in efforts to normalise the strained relationship.

The visit to China in April 2015 by a high-ranking delegation from Vietnam led by the head of the Vietnamese Communist Party, Nguyen Phu Trong, helped to ease bilateral relations.

On May 14, 2014 the Philippines Department of Foreign Affairs announced that it had lodged a formal protest to China on April 4 regarding the construction work at Johnson South Reef in the Spratlys. However, the protest was rejected by China on the grounds that the "reef is Chinese territory". Beijing has already concluded its land reclamation activities at some locations in the Spratly islands, including Johnson South and Fiery Cross Reefs, but at the Mischief and Subi Reefs land reclamation remains ongoing.

2. The Role of the United States and China in the Asia-Pacific Region

When discussing hotspots in the East and South China Sea its worthwhile to take a look at the strategic intent of the major competitors in the Asia-Pacific region, namely, the United States of America and the People's Republic of China. In November 2011 U.S. President Barack Obama declared the Strategic Pivot to Asia – the most important strategic shift since the end of the Cold War. A key driver for this decision was the assessment that the geopolitical relevance of Asia has grown considerably. Worldwide trade is set to triple by 2030, and



Asia will be the driving force of economic growth. The U.S. was thus obliged to adapt its political, economic and military strategy.

In his speech at the 13th IISS Shangri-La Dialogue (May 30 - June 1, 2014, in Singapore), the then U.S. Secretary of Defence, Chuck Hagel, stated that the U.S. will continue its aid to nations for developing their respective humanitarian and disaster-relief capabilities, and in upgrading their respective Armed Forces.

For the first time Indonesia is to receive 8 Apache helicopters for carrying out counter-piracy operations, and for overseeing the free flow of shipping through the Straits of Malacca. Delivery: 2014-2017 for US\$ 600 Million.

The Philippines will receive 142 M113A2 Armored Personnel Carriers (APCs) arriving in 2014 and the U.S. will provide US\$ 50 Million in military financial aid plus US\$ 40 million for the the acquisition of long-range maritime patrol aircraft.

South Korea is set to receive “Global Hawk Drones” as part of efforts to substantially enhance its intelligence, surveillance and reconnaissance capabilities. Furthermore South Korea plans to acquire 40 Lockheed Martin F-35A Joint Strike Fighter aircraft for US\$ 7 billion, scheduled for delivery between 2018 and 2021.

The U.S. Secretary of Defence said that the United States is poised to deploy two additional ballistic missile defence ships to Japan by 2017. Furthermore, the US have deployed its most advanced capabilities – including two Global Hawks at Misawa Air Base, 12 F-22 fighter aircraft at Kadena Air Base plus 300 personnel, and MV-22 Ospreys on Okinawa.

This year the U.S. Navy are set to introduce the Joint High Speed Vessel in the Pacific and an additional submarine forward station in Guam. As many as four Littoral Combat Ships will be deployed in the same region by 2017.

By 2018, the U.S. Navy’s advanced multi-mission Zumwalt-class destroyer is scheduled to begin operating out of the Pacific. And by 2020, the U.S. plans to achieve its objective of operating 60% of both its Navy and Air Force fleets out of the Pacific, while also flying the Hawkeye early-warning and unmanned Triton ISR aircraft in the region.

Ladies and Gentlemen, it is my firm believe that the U.S. is and will continue to be a Pacific power. These military deployments will also be an important step to rebalance the military situation in the region and are also a considerable sign of deterrence in times of increasing tensions and potential crises in the region. Joint military exercises between allies in the Asia-Pacific region demonstrate U.S. presence and commitment to the region’s security and prosperity, while enabling political relationships to evolve with a military underpinning through the exercise of combined skills.

The PLA’s strategic priorities are gradually shifting from the defence of China’s borders to force protection within East Asia and further afield, the objective of which is to secure sea lines of communication and maritime resources. By 2020 Beijing plans to deploy forces capable of winning local wars under the conditions of informationisation – in other words, successful joint operations facilitated by modern technology in contested regional environments. By 2050 Beijing aims to become a peer competitor to the United States in military terms.

In view of the limited time, allow me to say just a few words regarding the Chinese Armed Forces. The military budget for 2015 will be about ten percent larger than last year, thus, approximately US\$145 billion. It is reported that China’s second aircraft carrier is under construction, and the country is rapidly building destroyers (type 052D), frigates (type 054A) and corvettes (type 056) to develop a Navy strong enough to patrol its domestic



waters and to project power into the Pacific and Indian oceans. Furthermore, China is also currently testing its new Y-8 anti-submarine aircraft and military experts are calling for the development of a long-range strategic stealth bomber as soon as possible.

Some analysts, and above all, those working in the media are inclined to paint a horror scenario when treating the issues of China's military modernisation. For a balanced analysis however it is essential not to overlook the deficit of the Chinese Armed Forces such as outdated command structures, quality of personnel, lack of professionalism, corruption, logistical weaknesses, insufficient airlift capabilities, limited numbers of special mission aircraft and deficiencies in fleet air defense and antisubmarine warfare. On this topic I would recommend the RAND National Security Research Division analysis entitled *China's Incomplete Military Transformation – Assessing the Weaknesses of the People's Liberation Army (PLA)* of February 2015.

3. The European Intelligence Centre (EU INTCEN) and its Importance for Crisis Management

In Europe we are confronted with an increase in crises throughout the world and, of course, the tensions in the East and South China Seas must be taken seriously, as previously outlined.

To manage and solve the challenges prompted by all these crises Open Source Information (OSINT) and Intelligence are indispensable elements.

For this reason I would like to introduce to you the Intelligence Centre of the European Union, the EU INTCEN.

Since January 2011 the Intelligence Analysis Centre of the European Union, EU INTCEN, has been part of the European External Action Service (EEAS), and is under the aegis of the High Representative of the Union for Foreign Affairs & Security Policy, Mrs. Federica Mogherini, Italy's former Foreign Minister.

As can be observed on this slide, the EU INTCEN comprises two divisions:

- The Analysis Division is responsible for providing strategic analyses based on input from foreign and security intelligence services of the EU Member States. It is composed of various sections that deal with geographical and thematic topics.
- The General and External Relations Division focusses on all legal and administrative questions, and produces Open-Source Analyses. It comprises three sections that deal with questions relating to information technology (IT), internal and external communication respectively, as well as with the open source office responsible for Open Source Analyses.

At INTCEN around 70 personnel evaluate and observe developments on a 24-hour basis. The present Director of the EU INTCEN is Ilkka Salmi, former Head of the Finnish Security Intelligence Service.

Analysing intelligence information provided by the European Foreign and Domestic Intelligence Services and analysing also Open Sources Information has the following advantages:

- Intelligence Information from different Intelligence and Security services, with different capacities, is merged
- The overall knowledge basis is extended
- The perceived threat is uniformly monitored
- The common analysis process is fostered and joint political decisions are supported.



In this framework OSINT and strategic Intelligence information regarding developments in the East and South China Seas are of importance for decision makers in the European Union.

4. Ten Recommendations

Finally, a few recommendations – elements of strategy – which could be helpful to manage the potential crises in the East and South China Seas and, more widely, the security challenges of the 21st Century.

1. The U.S. and China should strengthen their dialogue on military intentions, above all, regarding the risks involved with A2/AD capabilities.
2. The development of a code of conduct in the South China Sea should be fomented.
3. China and other claimants in the South China Sea should seek a common approach with respect to oil and gas exploration in those waters.
4. Improvement of Regional and International Cooperation for managing crises situation at sea (coordination of humanitarian aid, and of search and rescue operations etc.).
5. Information-sharing between selected countries in Asia, the European Union and other states, primarily with foreign intelligence and security services should be improved.
6. Regional expertise on information should be used regarding the maritime domain and other issues in “information trading” with foreign services.
7. The U.S. proposal for closer Intelligence Cooperation between Washington, Tokyo and Seoul should be evaluated. In December 2014, Japan, South Korea and the U.S. signed an intelligence-sharing agreement limited to North Korean nuclear and ballistic missile programmes. This agreement could be expanded to maritime issues.
8. South Korea and Japan should broaden their relations and build up a more cooperative and future-oriented relationship.
9. Awareness raising of decision-makers in politics, in the Armed Forces, in the corporate and public sectors for potential threats emanating from the territorial disputes in the East and South China Seas should be increased.
10. Communication capabilities and openness so as to understand the perception of one’s counterpart should be further developed as this is fundamental for successful dialogue.

I would like to end by citing Benjamin Franklin: *Investment in knowledge pays the best interest rates.*

I thank you for your attention.



Remarks: Opinions expressed in this contribution are those of the author.

This statement was presented on the occasion of the 21st *International Seminar on Sea Names* organized by The Society for East Sea and the Northeast Asian History Foundation in Helsinki, Finland on August 24, 2015.

About the Author of this Issue

Dr Peter Roell has been President of the Institute for Strategic, Political, Security and Economic Consultancy (ISPSW) in Berlin since January 2006. His former post was Senior Advisor for Foreign and Security Policy at the Permanent Representation of the Federal Republic of Germany to the EU in Brussels. While in Germany, Dr Roell served the German Government as Director of the Asia-Pacific, Latin America and Africa (Sub-Sahara) Department and at German embassies in the Near and Middle East, and in Asia.

Dr Roell studied sinology and political sciences at the universities of Bonn, Taipei and Heidelberg. He gained his Ph.D. from the Ruprecht-Karls-University in Heidelberg.

Dr Roell is an Ancien of the NATO Defense College in Rome and the Federal Academy for Security Policy (BAKS) in Berlin.



Peter Roell