

# Hot Spot East and South China Sea and the Importance of Crisis Management: A European Perspective

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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 longsimmering 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.

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## 1. Main hotspots in the East and South China Sea

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

Little wonder, then, that on April 27, 2015 the ASEAN Heads of States mentioned in their final statement at the end of their annual meeting that China's recent land reclamation activities in the Spratly Islands – which have been claimed by some Southeast Asian countries – have “eroded trust and confidence and may undermine peace, security and stability.”

A strong message was also presented by Malaysia's Defense Minister Datuk Seri Hishammuddin Hussein at the 14th Asian Security Summit 2015 in Singapore on May 30. He warned that the South China Sea issue could escalate into one of the deadliest conflicts of all time, urging claimant parties to avoid undertaking any action which could cause tensions or ill-will.

On March 9, 2015 during her visit to Japan, German Chancellor Angela Merkel, referring to Germany's own experience, urged that Japan squarely confront its wartime past. By the same token, she signaled that neighboring countries must also do their part to achieve reconciliation.

With diplomatic finesse, she said that:

*“it is difficult for me as a German Chancellor to give you advice on how to deal with your neighborhood. It has to come out of a process in society. German's rehabilitation had only been possible because its former enemies were willing to accept that it had confronted its past. But there was also the acceptance in Germany to call things by their name.”*

Chancellor Merkel also made reference to the speech by late German president Richard von Weizsaecker, held in 1985, in which he called the end of World War II in Europe a “day of liberation”, counselling that those who closed their eyes to the past were “blind to the present.”

With respect to maritime issues, a passage in Chancellor Merkel's speech at the event co-hosted by the newspaper Asahi Shimbun and the Japanese-German Center

Berlin in Tokyo on March 9, 2015, is of interest both for its political as well as military aspects:

*“Germany and Japan have shared interests when it comes to enforcing the strength of inter-national law, which includes stability in other regions, such as waterways and trade routes in the East and South China Sea, the security of which we believe is threatened by maritime territorial disputes.”* She continued:

*“These waterways connect Europe with this part of the world, among other things. Their security therefore also affects us in Europe. In order to reach a viable solution, I believe it is very important to make use of regional forums such as ASEAN in addition to bilateral efforts and also to overcome differences on the basis of international maritime law: this includes both smaller and larger partners in multilateral processes, and basing potential agreements on internationally recognized law ensures transparency and reliability. And transparency and reliability are vital requirements for preventing misunderstandings, prejudices and crises.”*

Ladies and Gentlemen, I believe that the remarks of Chancellor Merkel clearly underscore the importance of confidence-building measures (CBMs), as early steps in crises management and the creation of a peaceful environment in the East and South China Sea.

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 defense 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.

On January 22, 2015 additional high-level consultations addressing problems in the East China Sea took place in Yokohama. At the meeting both sides established four working groups on policy/law of the sea, maritime defense, maritime law enforcement and maritime economy. They also agreed to seek a dialogue between the two coast guards.

“*China and Japan open maritime security talks aimed at averting accidental clashes at sea.*” This, Ladies and Gentlemen, was the title of an article in the *South China Morning Post* on March 19, 2015. In Tokyo, Japanese and Chinese defense and foreign affairs officials discussed maritime communication mechanisms to avoid unintended and accidental clashes at sea. The security talks come at a time when Chinese Coast Guard vessels continue to cross into Japan’s territorial waters around the Japanese-administered Senkaku Islands in the East China Sea, known to the Chinese as Diaoyu Islands. By mid March Japanese sources said that between January and March this year Chinese government ships had been spotted in Japanese territorial waters on a total of 32 days.

One day later 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 the bilateral relations in general – can be improved and better managed has yet to be seen.

Anyway, 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 neighbouring states and to enhancing regional cooperation. In this scenario Japan plays an important role.

The visit of Indonesian president Joko Widodo to Japan from March 22 to 25, and the meeting with Japanese Prime Minister Shinzo Abe, are also worthy of mention. With respect to maritime issues both leaders acknowledged in a joint statement on March 23, 2015 that enhancing maritime security is an important element in maintaining peace and stability in the region. They also underscored the importance of freedom of navigation and over flight on the high seas, unimpeded lawful commerce, as well as resolving maritime disputes by peaceful means in accordance with universally recognized principles of international law, including as it does, the 1982 United Nations convention of the Law of the Sea (UNCLOS). The joint statement also called for an early conclusion to talks between China and Southeast Asian countries concerning a code of conduct in the highly contested waters of the South China Sea.

Widodo and Abe also welcomed the signing of a Memorandum of Understanding between the Ministry of Defense of the Republic of Indonesia and the Ministry of Defense of Japan on Cooperation and Exchanges in the field of Defense. The MoU outlined cooperation in technology and defense equipment, and peacekeeping and disaster relief. Further details were not provided.

Ladies and Gentlemen, looking at East Asia I would like at this juncture to emphasize 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 Memorandum of Understanding between Japan, South Korea and the United States. The Memorandum outlines the 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 programs. 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.

Previous attempts to negotiate an intelligence-sharing program failed under South Korean domestic pressure in an effort to maintain distance to Japan. Some analysts attribute the success of this agreement to increased U.S. pressure on both Japan and South Korea to come to an agreement following North Korean cyber attacks on the American branch of Sony pictures.

Assessing possible expectations from either party, the *Japan Times* reported that "Japan hopes to obtain timely South Korean data on North Korean missile launches"; the *Korea Times* was worried that the agreement could "prompt South Korea to join the U.S.-led Missile Defense System", and *Jonhap* News assumed that only second- and third-rate intelligence information will be shared.

Although we should not expect too much from this agreement when it comes to the content of intelligence information, the Memorandum of Understanding does point in the right direction. Japan, South Korea, the United States but also the European Union share similar interests, 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 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 territory. 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.

Surprisingly, 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, 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 normalize 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 Fiercy Cross Reefs, but at the Mischief and Subi Reefs land reclamation is ongoing.

In addition to strengthening its alliance with the U.S. the Philippines is fostering its security partnership with Japan. As a sign of this growing partnership, the Philippines and Japan held a joint naval exercise in the South China Sea in early May 2015. From June 22 till June 25 the Philippines held military exercises with its ally the United States and its strategic partner Japan. These exercises form part of the annual Cooperation Afloat Readiness and Training (CARAT) which Washington carries out with several South and Southeast Asian nations.

At the beginning of June 2015 it was announced that CARAT Philippines 2015 will take place in Palawan, the closest province to the Spratlys, a potentially oil-and-gas-rich chain of islands, sand bars and shoals claimed as a whole or in part by China, the Philippines, Vietnam, Malaysia, Brunei and Taiwan. The exercise with Japan will be staged separately though during the U.S. drills week.

Also of significance is President Aquino's visit to Japan in June 2015. In Tokyo Aquino and Prime Minister Abe agreed to start talks on a possible Visiting Force Agreement (VFA), a move widely perceived as an attempt to counter China's antagonistic behavior in the East and South China Sea. The possible use of Philippine bases would enable the Japanese Air Self-Defense Force (ASDF) and the Maritime Self Defense Force (MSDF) to conduct joint patrols with the U.S. Forces for a longer period of time and over a larger area in the South China Sea.

It seems to me, however, that disputes in the East and South China Sea cannot be solved by a single power or even by a group of powers. Cooperation between partners is, therefore, a key to success, not only regarding the protection of the Sea Lines of Communication (SLOCs), but also as a means of ensuring constancy in maritime environment and stability in the protection and supply of energy.

When taking a brief glance at the 7th U.S.-China Strategic and Economic Dialogue (S&ED) held in Washington D.C. on June 23-24, 2015, it becomes evident that developments in the South China Sea, above all the U.S. disapproval over China's land reclamation, played no significant role in the discussions. In his closing remarks, U.S. Secretary of State John Kerry cautiously refrained from pointing the finger at China as the menace by stating that "countries with competing claims should exercise restraint, refrain from preventive unilateral actions, and settle their differences in accordance with international law."

China's State Councilor, Yang Jiechi, underscored Beijing's position that his country is "firmly determined to safeguard territorial sovereignty and maritime rights and interests." Such remarks echo a statement by a Ministry of Defense spokesman which claimed that "China has indisputable sovereignty of the South China Sea, and China has a sufficient historical and legal background to underpin its claims."

## 2. The role of the United States and China in the Asia-Pacific region

When discussing hotspots in the East and South China Sea it's 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 US was thus obliged to adapt their 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 Apache helicopters for carrying out counter-piracy operations, and for controlling the free flow of shipping through the Straits of Malacca. What Hagel did not mention, however, was the number of helicopters and delivery details. Through the Internet I gathered that Indonesia is to purchase eight AH-64 Apache helicopters for 600 million US\$, scheduled for delivery between 2014 and 2017.

Hagel also said that Washington plans to provide robust assistance to the Philippines' Armed Forces, and to strengthen their maritime and aviation capabilities. But what are the specific ramifications of the above? The following figures were available from Open Source Information (OSINT):

142 M113A2 armoured personnel carriers (APCs) from U.S. army stocks are scheduled to be shipped to the Philippines in 2014, and the U.S. will provide US\$ 50 million in military financial aid, plus US\$ 40 million for acquiring long-range maritime patrol aircraft. In this connection, the agreement between the governments of the Republic of the Philippines and the United States of America on *Enhanced Defense Cooperation* of April 2014 is of interest.

Hagel added that South Korea is set to receive “Global Hawk Drones” as part of efforts to substantially enhance its intelligence, surveillance and reconnaissance capabilities, though he did not provide further details. Internet research showed that 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 (though did not mention the date, namely, by 2017).

On June 18, 2015 the USS Chancellorsville, a modernized guided missile cruiser equipped with the latest Aegis combat system, returned to the naval base in Yokosuka, south of Tokyo. Furthermore, the US have deployed its most advanced capabilities – including two Global Hawks at Misawa Air Base, F-22 fighter aircraft at Kadena Air Base, and MV-22 Ospreys on Okinawa.

It was also possible to obtain additional information from the Internet, namely, that the first flight of the RQ-4 Global Hawk took place on June 6, 2014 at the Misawa Air Base, and that 12 F-22 “Raptor” Stealth Fighters, plus 300 personnel, will be deployed to Kadena Air Base.

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 is also a remarkable 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 security and prosperity of the region, while enabling political relationships to evolve with the military underpinning exercising of combined skills.

The increased participation of the People's Liberation Army (PLA) in multilateral military exercises is in line with China's foreign and economic policy. In July last year the PLA participated in the U.S. led RIMPAC Exercise, the world's largest international maritime exercise. In late 2014 China and Malaysia held their first joint military exercise, and China and ASEAN signed their first humanitarian and disaster relief (HADR) cooperation agreement. Beijing now views HADR as an important element of its "good neighbourhood policy."

In October 2014 China also joined the U.S.-Australia military drills for the first time and, in February 2015, the PLA took part in the Cobra Gold exercise, the largest multilateral exercise in the Asia Pacific.

In my view, however, the Chinese leadership faces a dilemma. While propagating the virtues of the good neighbourhood they are at the same time assertive and exacting when it comes to territorial sovereignty regarding maritime disputes with their neighbours.

The PLA's strategic priorities are gradually shifting from the defense 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 US.

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 bigger than last year, thus, approximately \$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 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 one of the RAND National Security Research Division analyses 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 with all its attendant brutality. I am thinking here of Boko Haram in Nigeria and its terror attacks in neighbouring countries. I am thinking of the so-called Islamic State (IS) in Iraq, Syria and in other North African States and the turmoil in the Middle East. Extremism is fueling barbaric violence across the region.

We are also confronted with a dangerous pattern in Russian behavior. Russia continues to provide training, equipment and forces for the separatists, and continues to destabilize the Ukraine by using all the elements of hybrid warfare.

And, of course, we must take seriously the tensions in the East and South China Sea.

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. Before I go into further detail about the INTCEN's mission, organizational structure and operating method, let me first say a few words about the legal foundation of the INTCEN.

The Treaty of Amsterdam (1997) already makes initial mention of the provision of intelligence. In Paragraph 6.5 of the Declaration on the establishment of a Policy Planning and Early Warning Unit states that the member states and Commission shall assist the policy planning process by providing, to the fullest extent possible, relevant information, including confidential information.

In spring 2002 the then High Representative for the Common Foreign and Security Policy (CFSP), Javier Solana, mandated Briton William Shapcott to set up a Joint Situation Centre, at that time called SITCEN.

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 focuses on all legal and administrative questions, and produces Open-Source Analyses. It comprises three sections that deal with questions relating to IT, internal and external communication respectively, as well as with the open source office responsible for Open Source Analysis.

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.

INTCEN has close contacts to the **European Union Satellite Centre (EUSC)** in Torrejón, near Madrid. EUSC has been an agency of the EU since January 2010, and provides satellite images which help the EU to analyse developments in conflict regions in order to provide humanitarian aid. Clearly, such images are a welcome input to the work conducted by INTCEN and are, of course, an important element in crisis management.

INTCEN also has contacts to the Paris-based **Institute for Security Studies (EUISS)**. EUISS is an independent EU agency which provides decision-makers within the EU with strategic analysis based on OSINT and also organises a range of security-related conferences.

Furthermore, INTCEN cooperates with other European institutions.

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

#### **4. Ten recommendations**

By way of conclusion I would like to present a few recommendations – elements of a strategy – which could be helpful to manage the potential crises in the East and South China Sea and the challenges of the 21st Century.

- The U.S. and China should strengthen their dialogue on military intentions, above all, regarding the risks involved with A2/AD capabilities.
- Advancing the development of a code of conduct in the South China Sea.
- China and other claimants in the South China Sea should seek a common approach with respect to gas and oil exploration in the SCS.
- Improvement of regional and international cooperation for managing crises situation at sea (coordination of humanitarian aid, search and rescue operations etc.)
- Improve information-sharing between selected countries in Asia, the European Union and other states, primarily with foreign intelligence and security services.
- Use regional expertise on information regarding the maritime domain and other issues in “trading information” with foreign services.
- Evaluate the US proposal for closer intelligence cooperation between Washington, Tokyo and Seoul. In December 2014, Japan, South Korea and the U.S. signed an intelligence-sharing agreement limited to North Korean nuclear and ballistic missile programs. This agreement could be expanded to maritime issues.

- South Korea and Japan should broaden their relations and built up a more cooperative and future-oriented relationship.
- Raise the awareness 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 Sea.
- A successful dialogue requires communication capabilities and openness when attempting to understand the perception of one's counterpart.

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