

Middle Powers and the South China Sea: Time to Step Up, or Step Out?

The decision in July 2016 by a special tribunal of the Permanent Court of Arbitration to dismiss the legitimacy of China's expansive territorial claims in the South China Sea has raised significant questions about how this issue should be managed in the future. Some have argued that the ruling presents an opportunity for regional states to reset interactions with Beijing by emphasising cooperation over sovereignty claims, while others have underscored its importance as a lever to push back further against Chinese territorial claims in maritime Asia.

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Irrespective of the timing of China's response, or whether a desire for cooperation prevails over sharp sovereignty claims, as a recent UK report notes, 'there is little prospect for meaningful

negotiations or of a legal resolution to the [South China Sea] dispute'. The broader context of how these territorial disputes play out in the South China Sea is critical: strategic rivalry between the US and China is growing in Asia, and security tensions in the South China Sea are seen as a major test of the resolve of both major powers. As Hugh White has written, policymakers in Washington and Beijing appear to genuinely believe that if they stand firm in any crisis, the other side will back down; more importantly, both sets of policymakers also give every indication they believe the other side understands the depth of their resolve to stand firm. The risk of serious crises and escalation to armed conflict in the South China Sea remains acute. The consequences would be calamitous for the region in economic terms alone: the waterways of Southeast Asia carry much of the world's trade and the impact of war, or even a major crisis, on global markets would be devastating. The fallout from any regional conflict would be just as serious for non-claimant states as for those states that claim territory in the South China Sea.

Unlike claimant states such as the Philippines and Vietnam, for non-claimant countries there appear to be few incentives to oppose China's territorial claims in the South China Sea. However, many regard China's assertive behaviour in the South China Sea, including its 'nine-dash line' claim, as a significant overextension and as a proxy indicator for how Beijing sees China's status in Asia more generally: as the dominant power whose growing influence requires deference from other states. Unsurprisingly, many other countries do not share this perspective. China has taken a number of specific actions to press its territorial claims in the South China Sea since the mid-1990s, and these have included attempted coercion through use of military and paramilitary forces as well as economic inducements to countries to accede to Beijing's wishes. The net benefits accruing to Beijing from this approach remain unclear.

This is particularly the case in relation to the region's middle powers, states that place a premium on rules-based orders and institutions to constrain the tendency of major powers to ride roughshod over the preferences of smaller states in international relations. In a material sense, middle powers

are those states – approximately 20–25 of them – that possess the capabilities and standing to shape outcomes in the global governance sphere when acting in concert with like-minded states. A prominent example of middle power coalition building is the MIKTA group that was formed in 2013 at a meeting of the foreign ministers of Mexico, Indonesia, South Korea, Turkey, and Australia. As stated by the South Korean foreign minister, MIKTA’s rationale was ‘to play a bridging role between countries with different views on the international stage ... and expanding their role in establishing a better world by taking advantage of individual middle power countries’ diplomatic assets and cooperative mechanisms’.

Three members of MIKTA – Australia, Indonesia, and South Korea – are non-claimant states in the South China Sea, but they share concerns about China’s conduct in the region, especially with respect to potential inhibitions on freedom of navigation resulting from attempts by Beijing to enforce its claims in the region. Australia and South Korea have highly mature security alliances with the United States, and both allies have been under pressure from Washington at various times to push back against Chinese claims by undertaking freedom of navigation operations (FONOPs) with US forces. Indonesia is not a US ally, but there is evidence of growing concern in Jakarta about China’s ‘nine-dash line’ claim overlapping with the 200-nautical mile exclusive economic zone surrounding the Natuna archipelago in the South China Sea. Emblematic of this concern is the recent announcement that Indonesian authorities have designated the resource-rich waters around the Natuna islands as the ‘Natuna Sea’.

Should these three non-claimant middle powers be doing more to foster stability and fulfil a mediation role among claimants, including China, in the South China Sea? In the remainder of this issue brief, I discuss what is at stake for Australia, Indonesia, and South Korea in the South China Sea before addressing this question.

Non-claimant stakeholders and the South China Sea

A frequently stated view in Beijing is that those countries without direct territorial claims in the South China Sea have no business in stating their position on the issue. State-sanctioned media outlets in China have been particularly critical of Australia flying military aircraft through international airspace in the South China Sea, with an editorial in *The Global Times* in late 2015 warning that Australian planes could ‘fall from the sky’ if the flights continued. The three non-claimant countries discussed below take no formal position on territorial disputes in the South China Sea, but as was evident in each capital’s response to the Permanent Court of Arbitration ruling, they share the position that freedom of navigation must be preserved and existing international agreements observed. What primarily distinguishes each country’s position is the extent to which they are willing to press the importance of these principles in their interactions with China.

Australia

China looms large on Australia’s strategic and economic landscape. Since the late 2000s, China has been the country’s largest trading partner by a clear margin, Chinese investment in critical sectors of the economy is growing rapidly (e.g., agriculture, energy supply), and China remains by far the primary market for Australia’s largest single export, iron ore. China’s dizzying economic growth has mapped closely to the ‘long boom’ in the Australian economy, and there is a general perception among Australians that China can exert significant influence over the Australian economy if it chooses to do so. While the economic relationship is widely regarded as mutually beneficial, there are some frictions in the strategic relationship between Australian and China. These have become increasingly prominent as Beijing has embraced a more assertive stance in Asia diplomatically and militarily, and as US–China rivalry has intensified.

As a committed ally of the United States, Australia has sought to balance its critical economic relationship with China with rising expectations in Washington that America’s allies will embolden their support for the US in significant regions, including the South China Sea.

Successive Australian governments have strongly supported the Obama administration's pivot to Asia and welcomed the presence of a rotational US force in northern Australia. Yet, Australian governments have also taken unilateral steps to hedge against China's growing reach in Asia. These steps have encompassed investments in long-range maritime strike and surveillance assets, enshrined in successive Defence White Papers since 2009, and closer defence and intelligence cooperation with Japan. Australia was one of only a handful of regional states to challenge publicly China's declaration of an Air Defence Identification Zone (ADIZ) in 2013. This earned Canberra a stern reprimand from Chinese foreign minister Wang Yi, who noted that Australia's actions had 'jeopardised bilateral mutual trust and affected the sound growth of bilateral relations'.

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