

# THREATS AND RISKS IN SOUTH CHINA SEA

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# SOUTH CHINA SEA PUZZLES

- China's motivations to assert itself in South China Sea: unknown
  - expansionist, opportunist or status quo power?
- Southeast Asian claimants' responses: ambivalent and ambiguous
  - Balancing, bandwagoning, hedging or appeasing?
- External powers' policy: dubious and doubtful
  - Balancer, abandoner or engager?



## KEY ISSUES

- Defining Threat and Risk
- Threat in South China Sea
- Risk in South China Sea

# THREAT = “CAPABILITY” + “INTENT”

- Involving human agency
- Capability = offensive + overwhelming + capable
- Intent = plan to use force (perceived)
- Threat can be “zeroed out”
- Responded by assertive balancing or handwagoning/appeasement (accommodation)

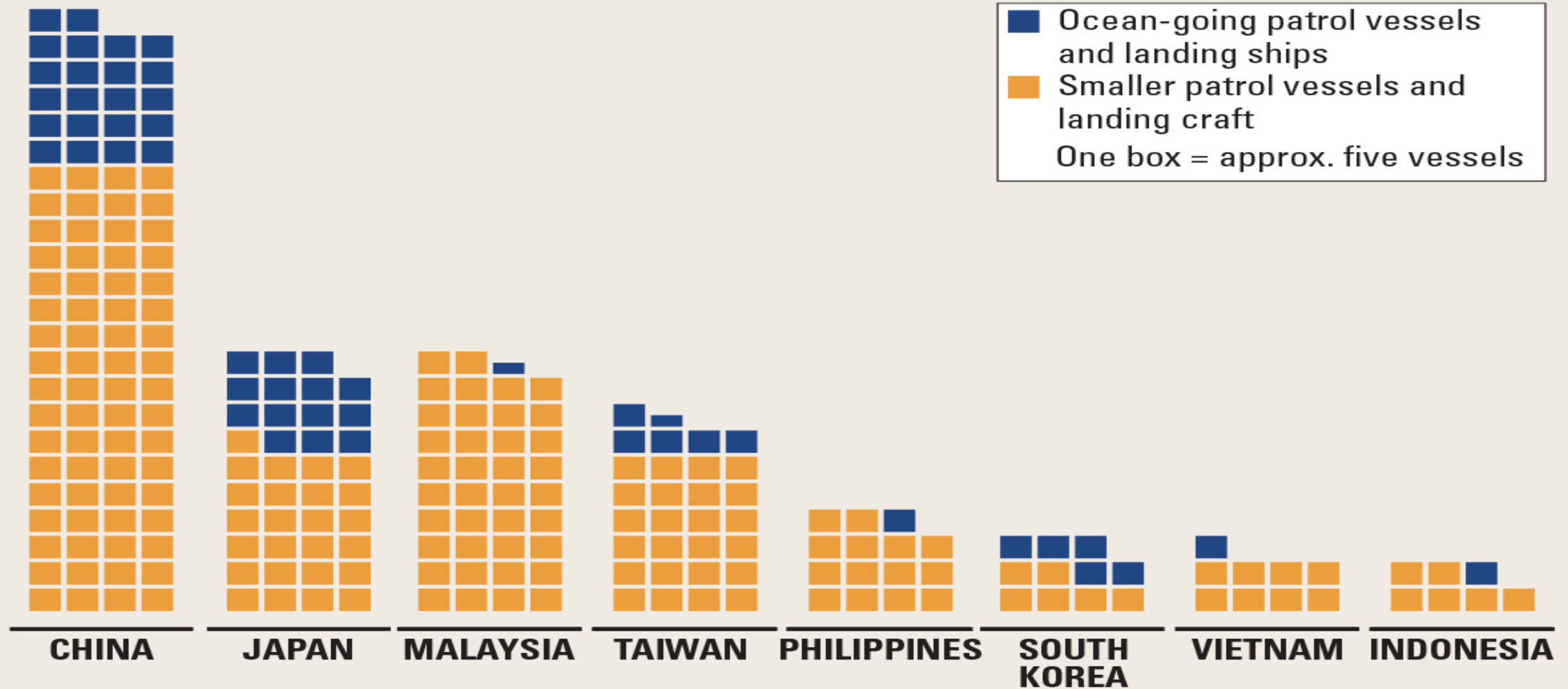
# RISK = “LIKELIHOOD” X “CONSEQUENCE”

- Both intentional and unintentional, human agency and nature
- Cannot be “zeroed out”
- Uncertainty (many unknowns) and miscalculation
- Responded by risk management: (i) risk avoidance; (ii) risk reduction; (iii) risk sharing; (iv) risk acceptance; (v) hedging

# SOUTH CHINA SEA PROBLEM: THREAT ISSUE?

- Quick growth in “capability”- firepower and law enforcement
  - Offensive power (fire power, mobility, and coverage)
  - Proximity

Figure 9.1: **Select Asia-Pacific countries' coastguard vessels:  
a comparison**







Source: IISS, *The Military Balance 2016*



# Power Projections

China aims to boost its maritime forces, but it already has an edge over its rivals in terms of the sheer size of its air and naval fleets.

	China	Japan	U.S. Carrier Strike Group	Vietnam	Philippines
<b>Aircraft carriers</b>  ● = 1	● <b>1</b>	0	● <b>1</b>	0	0
<b>Destroyers/ frigates</b>  ● = 1	<b>73</b>	<b>47</b>	<b>9</b>	<b>7</b>	<b>3</b>
<b>Submarines</b>  ● = 1	<b>58</b>	<b>16</b>	0 to 2	0	0
<b>Fighter/ bomber aircraft</b>  ● = 10	<b>2,100</b>	<b>353</b>	<b>54</b>	<b>217</b>	<b>8</b>

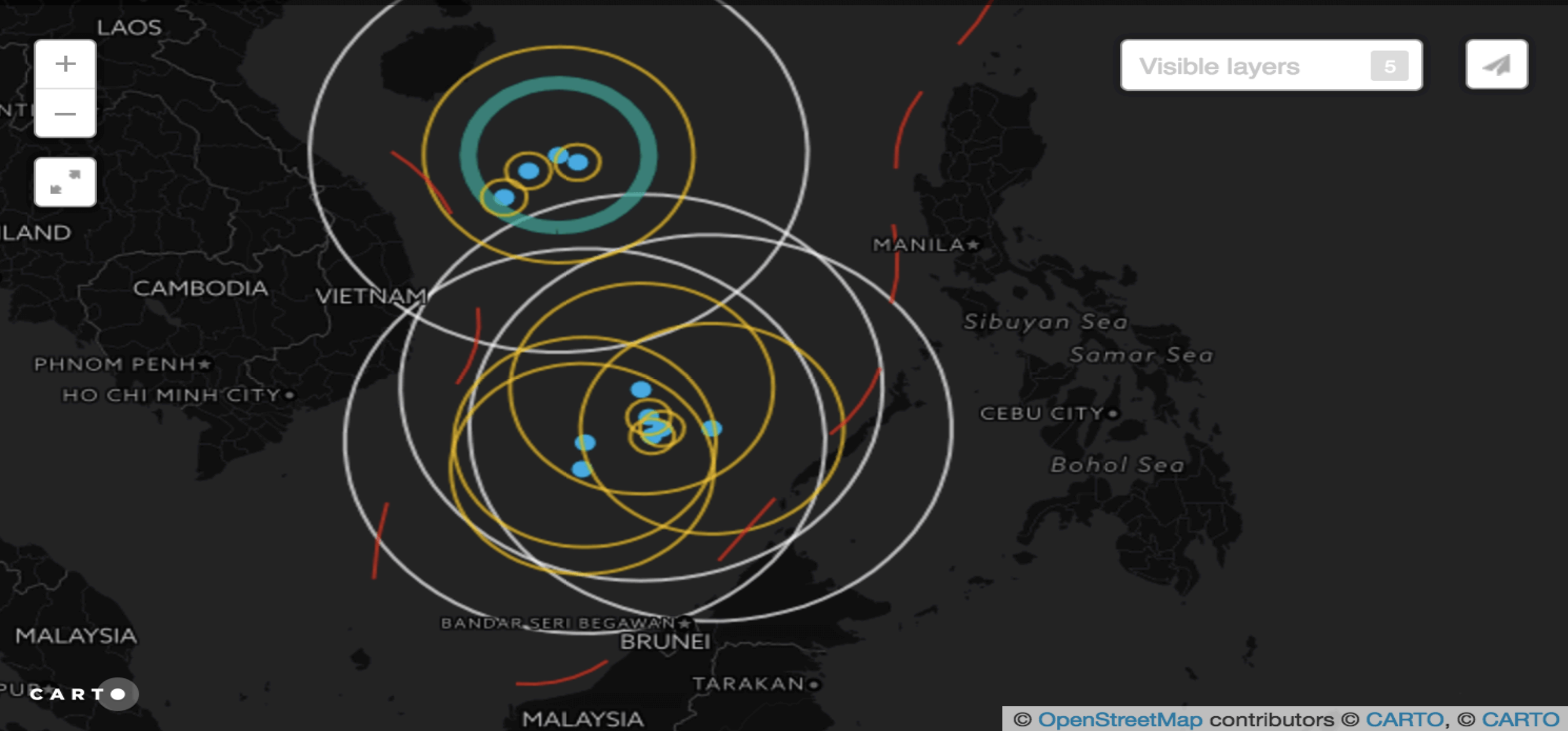
Sources: U.S. Department of Defense, World Air Forces 2015 report, Japan Self-Defense Force (Japan fighter)

THE WALL STREET JOURNAL.



# Chinese Detection/Defense Capabilities in the South China Sea

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# QUESTION OF “STRATEGIC INTENT”?

## **The unknowns:**

- Ambiguity around “naval and maritime modernization”
- Cycle of assertive behaviour (active-reactive)
- Dubious commitment to multilateral institutions (TAC, DOC, COC)

## **The facts**

- No one sees the other as “threat”
- No outright balancing against or appease China (in military term)
- Hedging = no clear strategic choice?

# SOUTH CHINA SEA: THE RISK GAME (1)

- China's "chicken game", heightening the risk by
  - Increasing "likelihood" of incidents and clashes (deployment of overwhelming coastguard and fishing fleet, grey zone tactic)
  - Increasing "consequence" by greater power projection and economic sanctions (to the degree of "unacceptable" to other adversaries)
  - Risk control: **Threshold (salami)**
- Imposition of RISK to subdue neighbors but sideline the US

# SOUTH CHINA SEA: THE “RISK GAME” (2)

- Other claimants
  - Risk reduction: self restraint, bilateral and multilateral engagements for dispute management – seek assurance, reduce “likelihood” and “consequence”
  - Risk sharing: partnerships with other powers to seek “insurance”, multilateralization and internationalisation
  - Risk retention: self-help defense, balancing, firing legal weapons
- external powers
  - Risk avoidance (diplomatic concerns, support for smaller claimants)

# GAME CHANGERS: TRIBUNAL'S RULING + TRUMP

## Circumstantial changes:

- As ambiguity is gone, China's risk-taking actions are extremely riskier
  - Stronger collective response from ASEAN (ASEAN-China Retreat in Kunming)
  - Pushing other powers to concrete actions
- US became "unclear" under Donald Trump's leadership
  - Sino-US relationship is put at greater risk

## The shifts:

- China's change of approach – opportunity offering: COC, BRI and CUEs
- Other claimants: Risk Avoidance: self-restraint and self-censoring
- Other powers: Risk Taker (Japan, India and Australia)



# WAY FORWARD – BEING GOOD INVESTOR

- Speculation
- Hedging with Future Options



The image features a solid black background. At the top, there is a decorative border consisting of several overlapping, wavy bands of color. From left to right, these bands transition through shades of orange, red, and yellow, eventually fading into a bright cyan or light blue on the far right. The waves create a sense of motion and depth.

**THANK YOU!**