

Why Vanguard Bank and Why Now? Explaining Chinese Behavior in the South China Sea

Derek Grossman

Senior defense analyst,

RAND Corporation

Washington as part of its Indo-Pacific Strategy¹ would have to demonstrate that it does not plan to allow a Scarborough Shoal 2.0, which could be a tall order

During the course of my recent discussions with Vietnamese interlocutors, one question has recurred: after a period of prolonged quiet in Vietnam-China relations in the South China Sea (SCS), why has Beijing all of a sudden decided to take a stand² at Vanguard Bank? And one could easily further ask why at the same time Beijing opened³ a new front by conducting a major military exercise at the Paracel Islands? I think there are several components to answering these questions.

First, although Vanguard Bank represents the worst Vietnam-China tensions in the SCS since the *Haiyang Shiyou 981* oil rig standoff in May 2014, the intervening five years were hardly without incident or tension either. For the last two years in a row, China has put enormous pressure on Vietnam to prevent hydrocarbon drilling in the areas Vietnam considered its continental shelves under UNCLOS, but China regarded as disputed regions. In the 2018 instance, Beijing forced Hanoi to cancel a \$200 million contract with the Spanish energy firm Repsol on exploring the seabed off the southern coast of Vietnam.⁴ Furthermore, presumed Chinese fishing militia ships have routinely rammed Vietnamese fishing vessels even as Hanoi has mostly tried to keep such activities out of the headlines to maintain calm in bilateral ties. Tensions came to a head earlier this year, however, and Vietnam finally decided to put a sunken Vietnamese vessel at the Haiyang Shiyou 981 stand-off on display⁵ together with the video⁶ of Chinese aggression

Second, China has only continued to assertively enforce its excessive claims throughout the SCS and wider Indo-Pacific region. Starting late last year, for

example, Chinese fishing militia employing hundreds of boats have been swarming and encircling Thitu/Pag-asa Island, disputed between China and the Philippines.⁷ Gray zone tactics such as these are designed to harass Filipino fishermen and create stress in Manila over whether the island is possible to defend. Elsewhere in the SCS, Beijing since 2013 has tirelessly patrolled⁸ the Luconia Shoals, disputed with Malaysia, and outside of the SCS, China has ramped up⁹ the number of intrusions into the Senkaku/Diaoyu dispute in the East China Sea (ECS) to challenge Japanese de facto control.

Third, Beijing now has significantly greater military and law enforcement capabilities on hand to challenge regional counter claimants, like Vietnam. China has the largest navy¹⁰, coast guard¹¹, and fishing militia¹² in the world and the People's Liberation Army (PLA) has been steadily honing joint operations in the air and naval domains for future combat in the SCS, ECS, or in a Taiwan scenario. Additionally, China's virtual completion¹³ of land reclamation activity and the establishment of naval and air bases on artificial features scattered across the SCS, whether in the Paracels or in the Spratlys, provides Beijing with new points from which to project power, thus making it easier to sustain constant patrols to disputed areas. Indeed, as of early August, a Chinese survey ship involved in the Vanguard Bank dispute, *Haiyang Dizhi 8*, returned¹⁴ not to Chinese shores, but to one of Beijing's new naval bases on Fiery Cross Reef in the Spratly Islands. As of mid-August, *Haiyang Dizhi* had returned¹⁵ to Vietnam's exclusive economic zone (EEZ). Farther afield, if Beijing is in fact building¹⁶ naval and air base facilities in Cambodia, then Vietnam will face an additional threat on its Western flank.

Fourth, the erosion of U.S.-China relations in recent years, especially in the SCS context, has prompted Beijing to increasingly seek to defend its claims against U.S.-led freedom of navigation operations (FONOPs). In late June, for instance, the PLA for the first time tested an anti-ship ballistic missile, probably the DF-21D or "carrier killer," and a longerrange DF-26 variant, in the area near the Spratly Islands.¹⁷ Tailing of U.S. ships and warnings that they are illegally in Chinese internal waters during FONOPs have ratcheted up tensions in recent months. The last major incident¹⁸ occurred in early October 2018 and involved a

PLA Navy *Luyang*-class destroyer that closed within 45 yards of the *USS Decatur*. A further deterioration of U.S.-China relations could result in even more assertive Chinese behavior to push back, not only against the U.S. itself, but also throughout the region.

From this perspective, Beijing may be probing the durability of deepening U.S.-Vietnam military-to-military relations. Vietnam has harbored serious questions about the sustainability of U.S. security commitments to allies, let alone what a “free and open” Indo-Pacific Strategy means for U.S. partners. China’s seizure of Scarborough Shoal from the Philippines—a U.S. treaty ally—in 2012 is the classic example cited that fuels Hanoi’s speculation about whether Washington can be relied upon. And Vietnam received mere rhetorical support from the United States during the May 2014 oil rig crisis—and the same is true¹⁹ today at Vanguard Bank.

Finally, as I have written previously²⁰, the PLA likely seeks opportunities to test its growing capabilities to conduct joint operations, and unfortunately for Hanoi, Vanguard Bank may be just such an opportunity. However, this would first necessitate China bringing its warships into play and this is yet to happen. Either way, Vietnam has no military alliances and is a middle-sized power whose military, law enforcement, and fishing militia forces could be relatively easy to defeat considering their lack of experience²¹ in fighting at sea.

Perhaps the more salient question in all of this is what can Vietnam do now to make Chinese assertiveness against it less likely going forward? Although deepening the U.S.-Vietnam defense partnership in the short-term may be contributing to trouble with China, closer cooperation in the long-run could serve to deter China because it would become clearer to Beijing that U.S. support would have to be expected in any future conflict. But Washington as part of its Indo-Pacific Strategy²² would have to demonstrate that it does not plan to allow a Scarborough Shoal 2.0, which could be a tall order. Enhancing cooperation with Vietnam’s other defense partners—namely Australia, Japan, and India—could help to deter Beijing as well. But ultimately, Vietnam may have to become more accustomed to an increasingly assertive China and recognize the limits of

influencing its behavior as Beijing's leverage inevitably continues to rise in SCS disputes.

Derek Grossman is a senior defense analyst at the nonprofit, nonpartisan RAND Corporation. He formerly served as the daily intelligence briefer to the Assistant Secretary of Defense for Asian and Pacific Security Affairs at the Pentagon.

Notes

¹ "Indo-Pacific Strategy Report," US Department of Defense, June 1, 2019, accessed August 16, 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>

² James Pearson and Khanh Vu, "Vietnam, China embroiled in South China Sea standoff," *Reuters*, July 17, 2019, accessed August 16, 2019, <https://www.reuters.com/article/us-vietnam-china-southchinasea/vietnam-china-embroiled-in-south-china-sea-standoff-idUSKCN1UCOMX>

³ Jesse Johnson, "China announces fresh military exercises in South China Sea as U.S. carrier enters waterway," *The Japan Times*, August 6, 2019, accessed August 16, 2019, <https://www.japantimes.co.jp/news/2019/08/06/asia-pacific/china-hold-fresh-military-exercises-disputed-south-china-sea/#.XVYPLJMzY1h>

⁴ "South China Sea: Vietnam 'scraps new oil project'," *BBC*, March 23, 2018, accessed August 16, 2019, <https://www.bbc.com/news/world-asia-43507448>

⁵ Nguyen Dong, "Vietnam displays fishing vessel sunk by Chinese in Paracel," May 29, 2019, accessed August 16, 2019, <https://e.vnexpress.net/news/news/vietnam-displays-fishing-vessel-sunk-by-chinese-in-paracel-3930897.html>

⁶ "Vietnam airs video of Chinese ship sinking fishing boat in South China Sea," *South China Morning Post*, June 6, 2014, accessed August 16, 2019, <https://www.scmp.com/news/china/article/1526701/vietnam-airs-video-chinese-ship-sinking-fishing-boat-south-china-sea>

⁷ "Manila protests 'swarming' Chinese boats near island," *Navy Times*, April 1, 2019, accessed August 16, 2019, <https://www.navytimes.com/news/your-navy/2019/04/01/manila-protests-swarming-chinese-boats-near-island/>

⁸ "China risks flare-up over Malaysian, Vietnamese gas resources," *AMTI*, July 16, 2019, accessed August 16, 2019, <https://amti.csis.org/china-risks-flare-up-over-malaysian-vietnamese-gas-resources/>

⁹ John Grady, "Japanese Defense Head Warns of Chinese Intrusions Near Senkaku Islands," *USNI News*, August 2, 2019, accessed August 16, 2019, <https://news.usni.org/2019/08/02/japanese-defense-head-warns-of-chinese-intrusions-near-senkaku-islands>

¹⁰ "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018 US Department of Defense," May 16, 2018, accessed August 16, 2019, <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/1/2018-CHINA-MILITARY-POWER-REPORT.PDF>

¹¹ "Blunt Defenders of Sovereignty: The Rise of Coast Guards of East and Southeast Asia," Report, RAND Corporation, March 16, 2017, accessed August 16, 2019, https://www.rand.org/pubs/external_publications/EP67058.html

¹² Gregory Poling, "China's Hidden Navy," *Foreign Policy*, June 25, 2019, accessed August 16, 2019, <https://foreignpolicy.com/2019/06/25/chinas-secret-navy-spratlys-southchinasea-chinesenavy-maritimemilitia/>

¹³ Jamie Seidel, "Photos reveal China's South China Sea island fortresses are complete," *News.com.au*, February 7, 2018, accessed August 16, 2019, <https://www.news.com.au/technology/innovation/photos-reveal-chinas-south-china-sea-island-fortresses-are-complete/news-story/776e1a695fb41ccb7e47a436594c1530>

¹⁴ James Pearson, "Chinese ship heads away from Vietnam in South China Sea standoff," *ABS-CBN News*, August 8, 2019, accessed August 16, 2019, <https://news.abs-cbn.com/overseas/08/08/19/chinese-ship-heads-away-from-vietnam-in-south-china-sea-standoff>

¹⁵ James Pearson and Khanh Vu, "Chinese ship returns to Vietnam's exclusive economic zone," *Reuters*, August 13, 2019, accessed August 16, 2019, <https://www.reuters.com/article/us-vietnam-china-southchinasea/chinese-ship-returns-to-vietnams-exclusive-economic-zone-idUSKCN1V30XE>

¹⁶ Jeremy Page, Gordon Lubold and Rob Taylor, "Deal for Naval Outpost in Cambodia Furthers China's Quest for Military Network," *The Wall Street Journal*, July 22, 2019, accessed August 16, 2019, <https://www.wsj.com/articles/secret-deal-for-chinese-naval-outpost-in-cambodia-raises-u-s-fears-of-beijings-ambitions-11563732482>

¹⁷ Ankit Panda, "China's South China Sea Anti-Ship Missile Tests Up the Stakes," July 15, 2019, accessed August 16, 2019, <https://thediplomat.com/2019/07/chinas-south-china-sea-anti-ship-missile-tests-up-the-stakes/>

¹⁸ Luis Martinez, "Chinese warship came within 45 yards," October 1, 2018, accessed August 16, 2019, <https://abcnews.go.com/Politics/chinese-warship-45-yards-uss-decatur-south-china/story?id=58210760>

¹⁹ "Chinese Coercion on Oil and Gas Activity in the South China Sea," Press Statement, US Department of State, July 20, 2019, accessed August 16, 2019, <https://www.state.gov/chinese-coercion-on-oil-and-gas-activity-in-the-south-china-sea/>

²⁰ Derek Grossman, "Vietnam Is the Chinese Military's Preferred Warm-Up Fight," *The Diplomat*, May 14, 2019, accessed August 16, 2019, <https://thediplomat.com/2019/05/vietnam-is-the-chinese-militarys-preferred-warm-up-fight/>

²¹ By Derek Grossman and Nguyen Nhat Anh, "Deciphering Vietnam's Evolving Military Doctrine in The South China Sea," AMTI, May 11, 2018, accessed August 16, 2019, <https://amti.csis.org/deciphering-vietnams-doctrine-south-china-sea/>

²² "Indo-Pacific Strategy Report," US Department of Defense, June 1, 2019, accessed August 16, 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>