EXECUTIVE SUMMARY

• Since September 2013, China has transformed seven features in the disputed Spratlys into artificial islands. It is currently developing extensive military and civilian infrastructure on these reclaimed atolls.

• Beijing has argued that it is acting within its sovereign rights and that the facilities will provide public goods for international shipping. It has rejected accusations that its actions have endangered freedom of navigation or regional stability.

• Contrary to China’s claims, the primary purpose of the man-made islands is strategic, as they will allow the Chinese navy, coast guard and air force to maintain a continuous presence in the Spratly Islands and strengthen Beijing’s ability to enforce its territorial and jurisdictional claims across the South China Sea.

• The Philippines has been a vocal critic of the reclamations and has accused China of violating its sovereign rights and seeking to exert de facto control of the waters within the so-called ‘nine-dash line’.

• ASEAN has expressed ‘serious concerns’ over the reclamations and their potential to undermine peace and stability, its strongest statement to date on the South China Sea. Several Southeast Asian countries have called for ASEAN and China to expedite a Code of Conduct to reduce tensions.
• The United States has accused Beijing of changing the status quo in the South China Sea, intensifying the militarization of the dispute, destabilizing the region, undermining international norms and rules and violating existing agreements with ASEAN. The reclamations have sparked a debate on how the US should respond and whether it should adopt measures that challenge or impose costs on Chinese actions in the maritime domain.

• China’s reclamations are likely to heighten tensions between Beijing and the Southeast Asian claimants, principally the Philippines and Vietnam, and become a growing source of discord in Sino-US relations.

* Ian Storey is ISEAS Senior Fellow and editor of Contemporary Southeast Asia.
INTRODUCTION

The phrase ‘game changer’ is often overused in international affairs. However, China’s terraforming in the Spratlys—transforming submerged or semi-submerged features and rocks into artificial islands—may well prove to be a genuine game changer in the long-running and increasingly contentious dispute.

Since mid-2013, China has been undertaking large-scale reclamation work on seven features under its control in the disputed Spratly Islands: Fiery Cross Reef, Johnson Reef South, Cuarteron Reef, Hughes Reef, Gaven Reef, Mischief Reef and Subi Reef. Extensive infrastructure is being constructed on the reclaimed features, including harbours, radar and surveillance systems, multi-storey buildings and airstrips. Once completed, these artificial islands will enable China’s navy, coast guard and air force to maintain a permanent presence in the Spratlys and strengthen Beijing’s ability to enforce its territorial and jurisdictional claims within the so-called ‘nine-dash line’ that covers approximately 80 per cent of the South China Sea.

Beijing has fiercely defended its reclamation activities on the grounds that it is acting within its sovereign rights, providing public goods and merely ‘catching up’ with the other claimants. However, the strategic implications of China’s terraforming has aroused considerable concern across the Asia-Pacific region. Ultimately China’s man-made islands are likely to fuel tensions with the other claimants, particularly the Philippines and Vietnam, exacerbate the emerging strategic rivalry between Washington and Beijing in Southeast Asia, and further call into question the South China Sea conflict management process between ASEAN and China.

AN OVERVIEW OF CHINA’S RECLAMATION PROJECTS

Reports of Chinese reclamation activities in the Spratlys first emerged in May 2014. But it was not until the release of high-definition satellite imagery later in the year that the full extent of the terraforming became apparent.1 The imagery shows that since September 2013, China has employed a large fleet of dredging ships to reclaim land around seven features using sand and coral, incorporating small concrete outposts constructed during the 1990s. Even before the reclamations were completed, heavy construction equipment and cement plants were transported to the man-made islands. Work commenced immediately on military and civilian infrastructure including piers, harbours, helipads, multi-storey buildings and landing strips. The United States estimates that China has so far reclaimed 2,000 acres of land in the Spratlys.2

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1 See “China goes all out with major island building project in the Spratlys”, *HIS Jane’s Defence Weekly*, 20 June 2014; subsequent satellite imagery was released by the online Asia Maritime Transparency Initiative (AMTI) at the Center for Strategic and International Studies (CSIS), Washington D.C, available at <http://amti.csis.org/>.
The largest development is at Fiery Cross Reef where an artificial island approximately 3,000 metres long and 200-300 metres wide has been created, increasing the size of the atoll 11 times (from 0.8 square kilometres to 0.96 square kilometres). Fiery Cross Reef has now overtaken Taiwan-occupied Itu Aba as the largest feature in the Spratlys. An airstrip which runs almost the entire length of the reclaimed feature is also under construction. A second airstrip is reportedly being built on Subi Reef. Although China has an airstrip on Woody Island in the Paracel Islands, it was the only claimant except Brunei not to have one in the Spratlys (Taiwan has a runway on Itu Aba, the Philippines on Pagasa, Malaysia on Swallow Reef and Vietnam on Spratly Island).

STATED AND UNSTATED RATIONALES

China has rejected criticisms of its reclamation work and provided three main justifications.

First, because China exercises “indisputable” sovereignty over the South China Sea atolls, it has the right to undertake any activities it deems necessary on the features without interference or protest from other parties.

Second, Beijing has argued that it is playing catch up with other claimants. As the Philippines undertook reclamation activities in the 1970s, Malaysia in the 1980s, Taiwan on Itu Aba in 2014 and Vietnam over the past two years, China has accused critics of hypocrisy and applying double standards. However, as many observers have pointed out, China’s reclamation work far exceeds that of the other claimants in terms of scope and pace.

Third, the facilities under construction are designed primarily to improve the living conditions of personnel stationed on the atolls and will enable China to provide public goods such as search and rescue services, disaster relief, marine scientific research, weather forecasting and typhoon shelters for fishermen. China’s foreign ministry has emphasized the civilian uses of the artificial islands before their military role: “After the construction, the islands and reefs will be able to provide all round and comprehensive services to meet the various civilian demands besides satisfying the need of necessary military defense.”

At the 2015 Shangri-La Dialogue in May in Singapore, PLA Admiral Sun Jianguo reiterated these rationales and added that compared to the other claimants China had “exercised enormous restraint” and that its activities did not undermine freedom of navigation nor regional peace and stability.

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4 “New photos to show China’s work in Spratlys”, Straits Times, 20 April 2015.
5 “China tells PH off on reef reclamation, says ‘it’s none of your business’”, Philippine Daily Inquirer, 8 June 2014.
7 Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on 9 April 2015.
8 Ibid.
9 “Strengthening Regional Order in the Asia-Pacific”, Admiral Sun Jianguo, Deputy Chief, General Staff Department, PLA, China, 30 May 2015.
China’s justifications have been met with scepticism by the international community, and especially neighbouring countries in Southeast Asia. Four rationales have been advanced to explain China’s reclamation activities: strategic; jurisdictional; legal; and to pre-empt the proposed ASEAN-China Code of Conduct for the South China Sea (CoC).

**Strategic Purposes**

Contrary to China’s claim, the primary purpose of the reclaimed atolls is strategic. The harbours on the manmade islands will enable PLA-Navy and Chinese Coast Guard (CCG) vessels to conduct round-the-clock presence missions in the South China Sea without the need to return to ports in mainland China. Radar and satellite communications systems will significantly enhance China’s maritime domain awareness in the South China Sea. The airfield on Fiery Cross Reef is able to accommodate almost every aircraft in the PLA’s inventory, including heavy transport and combat aircraft. As the PLA currently lacks a fully operational aircraft carrier, and has limited in-flight refuelling capabilities, the atolls should enable China’s military to base fighter aircraft in the Spratlys on a permanent basis.

Enhanced surveillance capabilities and the presence of combat aircraft raises the prospect that Beijing will establish an Air Defence Identification Zone (ADIZ) over the South China Sea as it controversially did in the East China Sea in 2013. Over the past several months, Philippine and US military aircraft have been issued with verbal warnings by the PLA-Navy to leave international airspace above the reclamation projects and this has been interpreted as a precursor to a Chinese ADIZ. China maintains that while it is entitled to establish a South China Sea ADIZ, a decision “depends on whether the air safety is threatened”.

Once completed, the facilities on the atolls will enable China to project military power into the heart of maritime Southeast Asia, and this will assist the PLA in two of its core missions: first, defending the country’s maritime trade routes that pass through the South China Sea; and second, forward-deployed PLA-Navy ships and aircraft could be used as part of what the United States calls China’s anti-access/area denial (A2/AD) strategy to deter or defeat third-party (i.e. American) intervention in military contingencies in the Taiwan Straits or Senkaku/Diaoyu Islands.

**Enforcing China’s Territorial and Jurisdictional Claims**

China has never clarified what the nine-dash line that appears on its official maps of the area denotes, or how it comports with international law. Increasingly, however, it appears that China is not only claiming sovereignty of the features within the line, but also “historic rights” to resources and even navigation. China will be able to bolster its sovereignty and

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jurisdictional-enforcing activities using warships and coast guard cutters operating from the artificial islands. In particular, CCG vessels will be able to protect Chinese fishing boats, survey ships and drilling platforms operating within the nine-dash line.

**Legal Motivations**

China’s reclamation work in the Spratlys will not strengthen its sovereignty claims because under international law a state cannot transform a submerged feature or a low-tide elevation (neither of which are entitled to a maritime jurisdictional zone) into a rock (which is entitled to a 12 nm territorial sea) or an island (which can generate a territorial sea and an EEZ). \(^{14}\) Fiery Cross Reef, Johnson Reef South and Quarteron Reef are probably rocks entitled to a 12 nm territorial sea; but Hughes, Mischief, Subi and Gaven Reefs are submerged features or low-tide elevations which are not entitled to maritime jurisdictional zones; at best the artificial islands under construction may be entitled to a 500 meter safety zone. \(^{15}\)

Perhaps more importantly, however, the reclamations undermine the Philippines’ legal challenge of China’s nine-dash line claims which Manila submitted to the United Nations Tribunal on the Law of the Sea (ITLOS) in January 2013 and which is currently being assessed by the Permanent Court of Arbitration (PCA). In its original submission, the Philippines made two assertions: first, that Johnson Reef South, Fiery Cross Reef, Quarteron Reef and Scarborough Shoal are rocks that are entitled to a territorial sea but not an EEZ; and second, that China’s occupation of Mischief, Hughes, Subi and Gaven Reefs is illegal because they do not lie on its continental shelf. \(^{16}\) By turning these features into artificial islands, however, the PCA can no longer determine whether the reclaimed features were originally submerged features, low-tide elevations or rocks – in effect, China has destroyed the evidence. The Philippines is considering seeking a provisional measure, i.e. an interim injunction, at ITLOS to stop the reclamations because they have altered the status of the features under arbitration. \(^{17}\) The arbitration case is currently on-going and a decision is expected in 2016.

**Pre-empting the Code of Conduct?**

ASEAN and China have been in talks on a CoC since 2013, though little progress has been made. From the outset, Chinese officials have indicated that they are in no rush to conclude a code, even though ASEAN leaders have repeatedly called for an “early conclusion”. \(^{18}\) ASEAN Secretary-General Le Luong Minh has complained that ASEAN has been unable to engage China in “substantive discussions” on the CoC and that there “has been a widening gap between the diplomatic track and the actual conditions at sea”. \(^{19}\) China’s lack of

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\(^{17}\) “Manila seeks UN help to stop reclamation”, *Straits Times*, 20 June 2014.

\(^{18}\) Statement by YB Foreign Minister, ASEAN Foreign Ministers’ Retreat, Kota Kinabalu, Malaysia, 28 January 2015.

enthusiasm has led to speculation that it seeks to prolong the talks because it wants to expand and consolidate its position before concluding a code with ASEAN. The reclamation projects, which change the status quo in the South China Sea, strengthen the view of those who believe China is playing for time.

SOUTHEAST ASIAN AND US RESPONSES

Southeast Asian Responses

Among the four Southeast Asian claimants, the Philippines has been the most vocal critic of Beijing’s island building. Manila has protested and criticized the reclamation work for four reasons. First, because three of the features—Mischief, Johnson Reef South and Hughes—are located inside the Philippines’ EEZ, China has violated its sovereign rights. The Philippine government estimates that the destruction of coral reefs caused by the reclaims will cost Filipino fishermen $100 million in losses per annum. Second, that China has breached Article 5 of the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DoC) which calls on the parties to “exercise self-restraint in the conduct of activities that would complicate or escalate disputes” and is trying to pre-empt the CoC. Third, that China’s island-building is motivated in part to prevent the PCA from determining the status of the features under arbitration. Fourth, that the reclaims are part of an effort by China to exert de facto control over the area within the nine-dash line and this undermines regional peace and stability. President Benigno Aquino has accused China of playing a “dangerous game of brinkmanship and gunboat diplomacy” and that its actions in the South China Sea should “engender fear for the rest of the world”.

Vietnam has not been as strident as the Philippines in its criticism of China, though it has protested the reclaims as a violation of its sovereignty and a breach of the DoC. Vietnam’s foreign ministry has demanded that China halt its reclamation activities and abide by the DoC.

On the diplomatic front the Philippines has pushed its ASEAN partners to take a stronger line with China. Foreign Secretary Albert del Rosario has argued that failure by ASEAN to take action will undermine its centrality, unity and credibility. Fellow claimant Malaysia, and Chair of ASEAN for 2015, has taken a more moderate position. Foreign Minister Anifah

21 “Sea Spat: Call to stop provocative action”, Straits Times, 17 June 2014.
Aman rejected Philippine calls for ASEAN to issue an ultimatum to China, and instead said it would be “much appreciated” if Beijing halted the reclamation work and sat down with ASEAN member states to discuss the problem. Nevertheless, the Philippines has been able to achieve a measure of success: the chairman’s statement at the 26th ASEAN Summit in April expressed “serious concerns” that the land reclamations had “eroded trust and confidence and may undermine peace, security and stability in the South China Sea”. This represents ASEAN’s strongest statement ever on the South China Sea. But even though the statement did not blame China directly, its foreign ministry reacted angrily, claiming that the reclamations were “reasonable, justified and lawful” and, in a veiled reference to the Philippines, that it was “firmly opposed to a few countries’ oblique charges against China as well as the pursuit of their private ends at the expense of the overall China-ASEAN relations.”

The reactions from the other ASEAN members have been mixed. Brunei, a claimant in the dispute, has remained characteristically silent, as have Thailand and Myanmar. Indonesia has stressed its neutrality in the dispute, offered to act as an “honest broker” but rejected the legality of China’s nine-dash line. Singapore, a major maritime trading hub, has highlighted the potential for territorial disputes to disrupt global trade routes. In his keynote address at the 2015 Shangri-La Dialogue, Prime Minister Lee Hsien Loong called for the speedy conclusion of the CoC “to break the vicious cycle”. His call was echoed by the defence ministers of Cambodia and Malaysia.

**The US Response**

America has been highly critical of China’s reclamations. Senior US officials have accused Beijing of changing the status quo in the South China Sea, intensifying the militarization of the dispute, destabilizing the region, undermining international norms and rules and violating the DoC.

Initially the US called for a “voluntary freeze” on tension-generating activities. However, when China rejected that call, and as the sheer size and scope of the reclamations became apparent, US criticism mounted, as did calls from senior US politicians for America to adopt

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28 Chairman’s Statement of the 26th ASEAN Summit, Kuala Lumpur and Langkawi, 26-28 April 2015.
29 Foreign Ministry Spokesperson Hong Lei's Regular Press Conference on 27 April 2015.
30 “Indonesian president says China’s main claim in the South China Sea has no legal basis”, Reuters, 23 March 2015.
31 Speech by Minister for Defence Dr Ng Eng Hen, at the Opening Ceremony of International Maritime Defence Exhibition Asia 2015, Singapore, 19 May 2015.
34 Regional Telephone Conference in Rangoon, Burma, Remarks, Daniel R. Russel, Assistant Secretary, Bureau of East Asian and Pacific Affairs, Rangoon, Burma, 10 June 2014.
a tougher line with Beijing in the South China Sea, both to protect US national interests—including freedom of navigation—and retain credibility among its friends and allies concerned about China’s man-made islands. In response to these calls, the US Department of Defense (DoD) has underscored its commitment to strengthen alliances and partnerships in the region, increase America’s military rebalance to Asia—including a “robust regional presence in and around the South China Sea”—implement conflict-avoidance mechanisms with the PLA, and provide security assistance to regional states. With regard to the latter, at the 2015 Shangri-La Dialogue, US Defense Secretary Ashton Carter announced a $425 million “Southeast Asia Maritime Security Initiative” to provide capacity-building support for regional navies, and on a visit to Vietnam a few days later he pledged $18 million for the Vietnamese coast guard to buy US-made patrol boats.

In May it was reported that DoD was considering a range of additional options, including sending US navy ships and aircraft into the 12 nm limit of some of the submerged features being reclaimed should China declare territorial seas around them. Over the years, the US has regularly conducted so-called “Freedom of Navigation Exercises” in response to countries which in its opinion have declared excessive or illegal maritime jurisdictional zones. However, such exercises are almost certain to provoke a robust response from China, and could result in dangerous confrontations between the US and Chinese militaries. They also risk strengthening the Chinese narrative that America is to blame for rising tensions in the South China Sea, and could embolden hardliners within the Chinese government and military who seek to restrict US access to the area. If the media report was deliberately leaked by DoD to telegraph to Beijing that Washington was prepared to adopt a harder line unless China changed its behaviour, China has chosen to ignore that message. At a joint press conference with his Chinese counterpart Wang Yi in May, US Secretary of State John Kerry called for “smart diplomacy” to reduce tensions rather than “outposts and military strips”. Wang stood his ground, however, and reaffirmed that China’s determination to safeguard its sovereignty and territorial integrity was as “firm as a rock” and that the reclamations “fall fully within the scope of China’s sovereignty”. At the Shangri-La Dialogue a few weeks later, the speeches by Ashton Carter and Admiral Sun Jianguo were measured, but neither side deviated from their existing positions. The United States has called on all parties to halt reclamation activities in the South China Sea (including Vietnam) but there seems little prospect that China will heed this call.

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36 Statement of David Shear, Assistant Secretary of Defense for Asian and Pacific Security Affairs, Before the Senate Committee on Foreign Relations, 13 May 2015.
40 Joint Press Availability with Chinese Foreign Minister Wang Yi, Remarks, John Kerry, Secretary of State, Beijing, China, 16 May 2015.
41 Ibid.
OUTLOOK

China’s man-made islands in the Spratlys are likely to reinforce negative trends in the South China Sea dispute in three ways: first, they will further heighten tensions between Beijing and the Southeast Asian claimants, especially the Philippines and Vietnam; second, the dispute is set to become a growing source of discord in Sino-US relations, possibly leading to dangerous confrontations between their armed forces; and third, the reclaimed features further undermine the credibility of the ASEAN-China conflict management process.

As noted, the military infrastructure on the seven features will enable the PLA and CCG to significantly increase their presence in the South China Sea and provide Beijing with greater powers of coercion over the other claimants. The Philippine armed forces have expressed concern that China may use its military and paramilitary assets to blockade atolls under its control, including Second Thomas Shoal and Pagasa which lie very close to the reclaimed features. In order to uphold its sovereignty claims, the Aquino government will look to buttress military ties with the United States, and may even request US warships to escort its supply ships. The Philippines is also likely to accelerate the development of its Oyster Bay naval base on Palawan Island, and allow access to naval ships from America, Japan and Australia. The reclamations will also strengthen the Aquino government’s determination to pursue its legal challenge against China’s claims at the PCA.

Tensions generated by China’s island-building could push the other claimants, and especially Vietnam, into strengthening the defence infrastructure on the atolls they occupy. On-going tensions in the South China Sea will also accelerate the arms build-up in Southeast Asia as regional states prepare themselves for all possible contingencies in an era of growing strategic uncertainty. According to one estimate, defence spending in Southeast Asia is projected to rise from $42 billion in 2015 to $52 billion by 2020.

China’s reclamations have already sparked a war of words between the US and China, and tensions could escalate further if Beijing declares territorial seas around some of the reclaimed features and/or an ADIZ over the South China Sea. The US may seek to challenge these declarations by moving military vessels and aircraft to within 12 nm of the artificial islands, and by flying through a Chinese ADIZ unannounced. US Defense Secretary Carter has been blunt: “There should be no mistake: the United States will fly, sail and operate wherever international law allows, as we do all over the world.” Freedom of Navigation exercises by the US military would increase the risk of close and potentially dangerous encounters between the armed forces of China and America at sea and in the air. The reclamations have triggered a debate in the US on whether it should adopt a more hardline policy towards China that challenges and imposes costs on Chinese actions in the maritime

43 “Manila to beef up facilities at base near disputed islands”, Straits Times, 13 May 2015.
domain.⁴⁶ That debate is likely to intensify as America prepares for presidential elections in November 2016.

China’s activities in the South China Sea over the past two years appear to have fostered a greater sense of ASEAN unity over the dispute. Although in July 2012, ASEAN solidarity collapsed over this issue, in May 2014 and April 2015 the member states stood together and issued statements expressing serious concern at China’s activities. Yet even as ASEAN looks more united, the reclamations will likely impede the conflict management process with China, and indeed call into question the efficacy of the entire DoC/CoC process. The reclamation of 2,000 acres of land, and the development of extensive military facilities on the man-made islands would seem to be wholly incompatible with the DoC’s “self-restraint” clause. Moreover, the reclaimed features will enable China to become the dominant player in the Spratlys before a CoC is concluded.
