

OPRF MARINT Monthly Report

March 2008



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This monthly report is edited/ summarized by publisher and staff writers based on published news resources.

Each resource is referenced with bracket below each title and is displayed as link URL on the last page of this report.

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Major Events in March 2008

Security: The United States has placed Syria on a special watch list for ocean-going vessels because of concerns about its connections to international terrorism, US State Department officials said on March 6.

India and Indonesia conducted the seventh coordinated naval patrol, the around the international maritime boundary line between the two countries south of Indira point off the Andaman and Nicobar Islands on March 8-25.

A Russian registered tug boat, the *Svitzer Korsakov*, which was seized by Somali pirates on February 1, was released from Eyl town in northeast Somalia on the Indian Ocean shores on March 18. According to authorities in the semi-autonomous Puntland, the ship paid a ransom of 700,000 US dollars.

Four nations of Singapore, Indonesia, Malaysia and Thailand conducted the inaugural Malacca Strait Patrols (MSP) Information Sharing Exercise at the Information Fusion Center in Tuas Naval Base, Singapore, on March 28-29. The two-day exercise validated and strengthened the information-sharing linkages for maritime security among the four countries.

Military: On March 4, Jiang Enzhu, spokesman for the National People's Congress, told China's military budget for 2008 would increase by 17.6 percent to 417.77 billion yuan (58.8 billion US dollars). This follows a 17.8 percent (%) increase in 2007, an increase of 17 % for a two-year consecutive years.

On March 18, in a congratulatory statement during the 62nd annual graduation ceremony at the Korea Naval Academy, the Republic of Korea (ROK) President Lee Myung-bak pledged to build up the naval forces, and said, "We have to build a state-of-the-art force that can protect our maritime sovereignty. With a vision for an advanced deep-sea Navy, our Navy should become a force that can ensure the security of maritime transportation lines, and contribute to peace in the world."

Two U.S. aircraft carriers--the USS *Kitty Hawk* and the USS *Nimitz*-- were sent to the Pacific Ocean east of Taiwan for training exercises, a U.S. defense official said on March 18. He said they would remain "responsibly positioned" until the end of the presidential election.

On March 24, the Armed Forces of the Philippines (AFP) Chief of Staff Gen. Hermogenes Esperon Jr. and several senior leaders of the AFP visited Pag-Asa Island, one of nine islands and reefs occupied by the Philippines. Esperon said the AFP was ready to defend the territories of the Philippines in the Spratly islands.

Two Navies of India and Singapore conducted the exercises called "Singapore India Maritime Bilateral Exercises (SIMBEX 2008)" in the Bay of Bengal off India's eastern coast on March 16 through 30. The bilateral exercises have been held every two years since 1994.

On March 3, U.S. Defense Department published Annual Report to Congress on China's Military Power in 2008, the seventh report of Bush Administration. (The details are available in

the 2. 1. Analysis in this report.)

Diplomacy and International relations: China's political and economic influence in Africa has been rising steadily as a result of a recent diplomatic push by Beijing aimed at winning over countries there, the Mainland Affairs Council (MAC) of Taiwan said in a report released on March 2.

On March 14, Russia's lower house (Duma) ratified a maritime border treaty with Norway. The treaty on the delineation of a disputed section of the border in the Varanger fjord area of the Barents Sea was signed in July 2007 and submitted to the Duma by Russian President Vladimir Putin.

In the Philippines the territorial demarcation bill is under deliberation, but the Philippine Congress remains stalled over the two issues. The major point over the territorial demarcation bill is whether or not the Spratly Islands and the Scarborough Shoals are included in the territorial baseline. In addition, a direct cause that is making the deliberation over the territorial demarcation stalled in the Philippines' Congress is the Tripartite Agreement for Joint Marine Seismic Undertaking in the Agreement Area in the South China Sea among China, Vietnam and the Philippines (JMSU). In the Congress criticism is arising about selling the Philippine lands in relation with the territorial demarcation bill over the leaked targeting survey area. As for these issues, we have taken up the details in 2. 2. Analysis in this report.

Shipping, Resources, Environment and Miscellaneous: The world's largest cruise ships currently being built are set to dock in Singapore by 2010, when the new International Cruise Terminal at Marina South is expected to be completed. The new terminal will make the number of cruise berths in the country doubled to four. According to the Singapore Tourism Board (STB), the terminal will be able to host a new class of cruise vessel called the *Genesis* Class with a gross ton in excess of 220,000t.

According to the report from Vietnam on March 11, President Pham Thanh Binh of Vietnam Shipbuilding Industry Group said the country's shipbuilding sector is on track to becoming the fourth largest in the world by 2015.

According to the News Release from Port of Singapore Authority (PSA) Gwadar International Terminals in Pakistan dated March 26, the inaugural call was made by the *Pos Glory* (40,000-GT) carrying 64,000 metric tons of wheat on March 15. Upon the completion of discharge of the cargo, the vessel departed on March 24, 2008, therewith the commercial port became operational.

On March 31, leaders of from the six Greater Mekong Subregion (GMS) countries attended a ceremony for the completion of the GMS North-South Economic Corridor (NSEC) in the Laos capital, Vientiane. The member-countries of the GMS are Laos, China, Vietnam, Myanmar, Cambodia and Thailand. The Kunming-Chiang Khong road in the NSEC links China's Yunnan province with northern Thailand via Laos.

1. Information Digest

1.1 Security

March 6 “U.S. puts Syrian ships and those visiting Syria under close surveillance” (Monster & Critics, March 6, 2008)

The United States has placed Syria on a special watch list for ocean-going vessels because of concerns about its connections to international terrorism, U.S. State Department officials said on March 6. This is part of the measure put in place by the U.S. Coast Guard and Department of Homeland Security. The move means Syrian vessels, or vessels that have put into a Syrian port within their last five ports of call, will be subject to greater security requirements and checks when arriving at U.S. ports.

March 8 “India, Indonesia begin coordinated naval patrol” (The Hindu, March 9, 2008)

On March 8, India and Indonesia began coordinated naval patrol, the 11th cycle of the India-Indonesia coordinated patrol (Corpat), around the international maritime boundary line between the two countries that falls south of Indira point off the Andaman and Nicobar Islands. The exercise will go on until March 25. The Indian Navy's landing ship-medium, INS *Mahish*, and Indonesian naval ship KRI *Memet Sastrawiria* are participating in the joint patrol that is aimed at preventing smuggling, illegal fishing, piracy and illegal entries into each other's waters. Corpat was started in 2003 after signing of official memorandums between the two Navies.

March 11 “Indian Defense Chief urges vigil against maritime terror” (Zee News, March 12, 2008)

On March 11, in his speech at the “International Maritime Search and Rescue Conference (IMSARCON) - 2008” Indian Defense Minister A K Antony warned against dangers of terror attacks from the sea in the region. Calling for greater international vigil to ward off these threats, Anthony said there should be a continuous vigil by the organizations like Coast Guard as well as maritime forces in the region, adding that cooperation with other countries, including China, was vital. The two-day conference in which 300 delegates, including from Pakistan and China, took part was held on March 11.

Defense Minister Anthony also said on the Indian Coast Guard, the gist of which is as follows. (a) Although the Coast Guard faces shortage of manpower, necessary steps are being taken to strengthen its search and rescue infrastructure. (b) As a member of the International Cospas-Sarsat program for alert and position location service through Low Earth Orbit Search and Rescue (LEOSAR) satellite system, India has established two Local User Terminals at Lucknow and Bangalore. The fully indigenous geostationary satellite -- INSAT-3A covers about one-third of the globe, including Europe, Africa, Asia and Australia. (c) The Indian Coast Guard

has been playing a vital role in ensuring Safety of Life at Sea not only in the vast Indian Search and Rescue Region (ISRR) that extends over four million square kilometers, but also in adjoining Search and Rescue Regions whenever requested for assistance by the neighboring countries.

March 12 “Global maritime constabulary power for securing the sea: U.S. think-tank reports” (The Heritage Foundation, March 12, 2008)

On March 12, a U.S. conservative think-tank, The Heritage Foundation, published a report titled “Securing the High Seas: America's Global Maritime Constabulary Power (hereafter the report).” This is the third in a series of reports on maritime security prepared by The Heritage Foundation's Maritime Security Working Group. The report emphasizes a necessity of “global maritime constabulary power” for securing the safety in the high seas, and recommends a sharing of responsibilities to perform the maritime police missions between the U.S. Navy and the Coast Guard. At the same time, the report expects contribution from friendly and allied nations through global partnership for performing the maritime police missions.

The report is available from the URL below:

http://www.heritage.org/Research/NationalSecurity/upload/sr_20.pdf

Note 1: The first report, “Making the Sea Safer: A National Agenda for Maritime Security and Counterterrorism,” 17 February 2005, is available from URL below:

http://www.heritage.org/Research/HomelandDefense/upload/74871_4.pdf

Note 2: The second report, “Making the Sea Safer: A National Agenda for Maritime Security and Counterterrorism,” 27 April 2006, is available from URL below:

http://www.heritage.org/Research/HomelandSecurity/upload/96436_1.pdf

March 18 “Somali pirates released Russian tug boat” (Kenya Today, March 18, 2008)

A Russian registered tug boat, the *Svitzer Korsakov*, which was seized by Somali pirates on February 1, was released from Eyl town in northeast Somalia on the Indian Ocean shores on March 18. According to authorities in the semi-autonomous Puntland, the ship was released following the payment of a ransom of 700,000 US dollars. On 17th, the Puntland Minister for Fisheries and Ports said to the British and U.S. media, “U.S. Navy warships watched the hijacked vessel and the pirates on board for nearly two months but did nothing. If they cannot help us, they should leave Somali shores.” The minister said ship owners were also to blame for making piracy a lucrative business. Dealing directly with the pirates and often ending up paying ransom, they further empowers the pirates with this practice, he added, blaming the ship owners.

【Related Story】

According to the U.S. newspaper, *The Los Angeles Times*, dated March 28, an American warship off the coast of Somalia would not intervene, as long as the pirates didn't mistreat the crew of the *Svitzer Korsakov* and continued to negotiate a ransom with the ship's owner. But if the pirates became violent or deprived crew members of food and water, the U.S. warship was

prepared to storm the *Svitzer Korsakov* and free the crew. The U.S. was in daily communication with the captive vessel to determine the condition of its crew. Since October 2007, the United States has kept at least one warship in international waters off Somalia.

March 28 “Singapore, Indonesia, Malaysia, Thailand, commence Malacca strait patrol information sharing exercises” (MINDEF, Singapore, News Release, March 28, 2008)

Four nations of Singapore, Indonesia, Malaysia and Thailand are conducting the inaugural Malacca Strait Patrols (MSP) Information Sharing Exercise at the Information Fusion Center in Tuas Naval Base, Singapore, on March 28 and 29. The two-day exercise validated and strengthened the information-sharing linkages for maritime security among the four countries. The exercise employed the latest Internet-based MSP Information System (MSP-IS). The MSP-IS aggregates shipping databases and relevant real-time maritime information to improve coordination and overall awareness of the situation at sea, to enable timely responses to maritime incidents in the Malacca Strait. The exercise is part of the Malacca Strait Patrols (MSP) initiative which comprises the Malacca Strait Sea Patrol (MSSP), the “Eyes-in-the-Sky” (EiS) air patrols as well as the Intelligence Exchange Group (IEG).

Screen Capture of the Malacca Strait Patrols Information System Homepage

Source: MINDEF, Singapore, News Release, March 28, 2008

1.2 Military

March 2 “U.S., South Korea begin joint military exercises” (The Korea Times, March 2, 2008)

South Korea and the United States began their annual large-scale military exercise on March 2. The Key Resolve/Foal Eagle exercises involve about 27,000 U.S. troops (including 12,000 U.S. troops stationed on the Korean Peninsula and 6,000 from off-peninsula), according to a South Korean defense ministry official. Joint drills will be conducted through March 7 in multiple locations throughout South Korea, he said. The Key Resolve exercise, formerly known as RSOI (Reception, Staging, Onward Movement and Integration), is a simulation-driven, defense-oriented combined command-post exercise intended to evaluate the allied forces' capability to receive forces from bases outside the country in the case of an emergency on the peninsula. Foal Eagle is a theater-wide combined field exercise. It involves massive joint field exercises including rear area security and stability operations, special operations, ground maneuvers, amphibious operations and combat air operations. South Korean and U.S. troops have conducted the two war games simultaneously since 2002.

The U.S. nuclear-powered aircraft carrier USS *Nimitz* and its striker group, and USS *Ohio*, the U.S. Navy's newly converted guided-missile submarine, are participating in the war games.

March 4 “Chinese military spending up by 17.6% in 2008” (The New York Times, March 5, 2008)

On March 4, Jiang Enzhu, spokesman for the National People's Congress, China's legislature (equivalent to the Diet and/or Parliament, and opened on March 5), told China's military budget for 2008 would increase by 17.6 percent to 417.77 billion yuan, or about 58.8 billion US dollars (USD). This follows a 17.8 percent (%) increase in 2007, an increase of 17 % for a two-year consecutive years. China has increased annual defense outlays by double-digit percentages most years in the past two decades. Expressing that the increase in spending this year was purely defensive and would allow for upgraded equipment along with better pay and benefits for service personnel, Jiang pointed out, “China's limited armed forces are totally for the purpose of safeguarding independence, sovereignty and territorial integrity. China will not pose a threat to any country.” As a proportion of government outlays, the amount of military spending is less than what the United States, Russia, India and France spend on their militaries, Jiang said.

However, foreign security experts in the United States and elsewhere say Beijing's real military spending is two or three times the announced figure. They say these sustained increases have put China on track to become a major military power and the country most capable of challenging American dominance in East Asia. They also say that China's main objective is to develop the firepower to overwhelm Taiwan in the event of conflict while deterring or delaying any American forces sent to help defend the island.

Notes: *ANNUAL REPORT TO CONGRESS: Military Power of the People's Republic of China*

2008 of the U.S. Department of Defense (DoD) (hereafter report) published on March 3 estimates China's total military-related spending for 2007 could be between 97 billion USD and 139 billion USD, although outside estimates of China's military spending vary due to the lack of transparency in Beijing's military expenditure. DoD estimates include projected expenses for strategic forces, foreign acquisitions, military research and development, and paramilitary forces. The report compares the China's announced budget with both high and low estimates on Beijing's actual defense expenditure produced by the outside, as shown in the graph below.

Source: Military Power of the People's Republic of China 2008, p.32.

March 5 "Russian bomber again flew over the U.S. aircraft carrier" (Reuters, March 6, 2008)

According to the U.S. officials, a Russian bomber came within three to five nautical miles and flew 610 meters above the USS *Nimitz* aircraft carrier and its accompanying ships which were participating in the exercises off Korea on March 5. Two U.S. F/A-18 fighters were launched to intercept the Russian aircraft and escort it out of the area, according to one defense official. This is the second such incident in less than a month, following the first one in February.

【Related Story 1】

"Russia Navy says flight over U.S. aircraft carrier is its normal mission" (RIA Novosti, March 6, 2008)

On March 6, citing that the Russian Navy is surprised by the commotion raised in Western media, the Russian Navy spokesman said Tu-142 Bear-F (the maritime version of the Tu-95 Bear

strategic bomber) is a maritime reconnaissance/strike plane, assigned to Russia's Pacific Fleet. Designed mainly for anti-submarine warfare (ASW) mission, it was on a routine patrol flight over the Sea of Japan, conducting in strict compliance with international regulations. The spokesman said, in addition to U.S. aircraft, several Japanese aircraft accompanied the Tu-142 for surveillance.

【Related Story 2】

“Russian Pacific Fleet begins last winter training” (Itar-Tass, March 7, 2008)

The Russian Pacific Fleet launched final stage of winter training on March 7, sending two anti-submarine ships and two patrol aircraft to the Sea of Japan. According to the press service of the fleet, the IL-38 aircraft have to detect a submerged submarine, while the warships have to eliminate it.

March 6 “Uzbekistan allows U.S. troops to use Uzbek base” (BBC News, March 6, 2008)

U.S. troops could move from Termez airbase on the Uzbek-Afghan border to Afghanistan on a case-by-case basis so long as they were traveling on German planes, the U.S. military told the *BBC News* on March 6. The spokesman said the U.S. had no bases of its own, had not requested any bases from the Uzbek government and had no plans to do so. U.S. troops were evicted from the airbase in Uzbekistan in 2005, but German forces were allowed to continue using the airbase at Termez. Uzbekistan has made no comment on the new arrangement.

March 11 “U.S. nuclear sub deploys to the Pacific” (Navy News, March 13, 2008)

A U.S. nuclear attack submarine, USS *Columbus* (SSN 762), departed Pearl Harbor in Hawaii for her Western Pacific deployment on March 11. USS *Columbus*, one of the *Los Angeles* class SSNs, was undergoing conversion and repairs, including an installation of a Tomahawk cruise missile vertical launch system and an improved hull design for conducting under-ice operations.

March 14 “Russia-Indian negotiation over carrier’s repair cost solved: Indian Navy Chief” (Zee News, March 14, 2008)

On March 14, Indian Naval Chief Admiral Sureesh Mehta said in Moscow, where he was visiting, over the contract of purchasing Russian aircraft carrier as follows. (a) It is an inter-governmental contract, and we are not going to renegotiate the contract. (b) We are ready to pay extra for work which was not listed in the original contract; however, the amount would be much less than the extra 1.2 billion US dollars asked by Russia. (c) We hope that all the financial issues will be closed within two-three months.

Also, Russia will start deliveries of MiG-29K Fulcrum-D carrier fighters to India for the *Admiral Gorshkov* aircraft carrier in May 2008, Admiral Mehta said. India will purchase 12 single-seat MiG-29K's and four two-seat MiG-29KUB's. (RIA Novosti, March 14, 2008)

【Related Story 1】**“Russia's MiG-29K fighter makes maiden flight” (RIA Novosti, Marh 19, 2008)**

On March 19, Russia has flight-tested a MiG-29K/KUB carrier fighter. A delegation of the Indian Navy observed its 42-minute flight.

【Related Story 2】**“No aircraft carrier for Indian Navy until 2009” (The Times of India, March 28, 2008)**

According to the Indian newspaper *The Times of India* dated March 28, Indian Navy's aircraft carrier, INS *Viraat*, will remain docked till at least July 2009 - first at Mumbai and then at Kochi - for an elaborate life-extension refit. Over the years, the Indian navy has time and again told that it needs three aircraft carriers - one each for the eastern and western seaboard, while the third undergoes repairs - to protect its growing strategic interests stretching from Africa's eastern coast right up to Malacca Strait. As things stand now, the construction of a 37,500-ton indigenous aircraft carrier (IAC), which is undergoing, has been delayed several years, and the IAC is not expected to be commissioned by 2014 or so. Additionally, regarding the *Admiral Gorshkov* which was purchased from Russia, the Indian Navy now hopes to get it - rechristened INS *Vikramaditya* - by 2012.

March 14 “China, Russia open military hot line” (Xinhua, March 14, 2008)

On March 14, Chinese Defense Minister Cao Gangchuan talked with his Russian counterpart Anatoly Serdyukov over the direct telephone line for the first time. Chinese Defense Minister Cao Gangchuan told that the newly opened link reflects the level of political trust and strategic coordination between the two countries, the statement said.

March 17 “RI, Malaysia Navies to increase cooperation in Malacca Strait security” (The Antara News, March 17, 2008)

During a meeting in Jakarta on March 17, Indonesian Navy Chief of Staff Admiral Sumardjono and his Malaysian counterpart Admiral Tan Sri Ramlan Mohamed Ali agreed to increase cooperation in maintaining security in the Malacca Strait. Admiral Mohamed Ali expressed hope that all forms of cooperation that had been established so far between the two navies would be stepped up in the future.

March 18 “ROK President pledges to build up naval forces” (The Korea Times, March 19, 2008)

On March 18, in a congratulatory statement during the 62nd annual graduation ceremony at the Korea Naval Academy, the Republic of Korea (ROK) President Lee Myung-bak pledged to build up the naval forces, and said as follows. (Lee's speech was read on behalf of him by the Defense Minister.) The statement reads, “The 21st century is the era of the ocean. We have to build a state-of-the-art force that can protect our maritime sovereignty. With a vision for an advanced deep-sea Navy, our Navy should become a force that can ensure the security of maritime

transportation lines, and contribute to peace in the world. Sea is the turf for our survival and national prosperity. Only if we efficiently defend and use the sea, can peace and economic growth be secured.”

March 19 “U.S. deploys two aircraft carriers close to Taiwan (Taipei Times, March 21, 2008)

Two U.S. aircraft carriers--the USS *Kitty Hawk* and the USS *Nimitz*-- were sent to the Pacific Ocean east of Taiwan for training exercises, a U.S. defense official said on March 18. He said they would remain “responsibly positioned” until the end of the presidential election. Although the official declined to elaborate on the positions of the two vessels, he added that the two carriers would remain in the area to be able to “respond if there's a provocative situation,” while operating not close enough to Taiwan to provoke China. Navy officials said the *Kitty Hawk* left its base in Japan en route to Hawaii on 18th, and would continue on to the continental U.S. later for decommissioning. In Taipei, the Ministry of National Defense did not comment on the deployment.

March 21 “U.S. deploys nuclear submarine to the Gulf via Suez canal” (Press TV, March 23, 2008)

On March 23, Iran Press TV reported as information from Egyptian sources that an American nuclear submarine along with a destroyer crossed the Suez Canal to enter the Persian Gulf on the 21st. Egyptian sources say Egyptian forces were put on high alert when the navy convoy was passing through the canal. According to the report, an American destroyer previously left the Persian Gulf, heading towards the Mediterranean Sea, and a U.S. Navy rescue ship crossed the canal to enter the Red Sea on the 20th. Additionally, according to the latest reports, in recent months a major part of the U.S. Navy has been deployed in and around the Persian Gulf. The recent reports allege that the deployment is linked to U.S. Vice President Dick Cheney’s visits to Middle Eastern states. Citing information from Israeli website DEBKA (<http://www.debka.com>), Iran Press TV dated March 19 reported that, quoting the aide as saying, on the 17th Cheney had said to U.S. troops in a military base in Iraq, “Iran has got to be very high on that list (of the countries that might be attacked).” (Vice President Dick Cheney made his 10-day tour of the Middle East, which began on March 17.)

March 24 “We are ready to defend Philippine territory in Spratlys: AFP Chief” (ABS-CBN NEWS, March 25, 2008)

On March 24, the Armed Forces of the Philippines (AFP) Chief of Staff Gen. Hermogenes Esperon Jr. and several senior leaders of the AFP visited Pag-Asa Island, one of nine islands and reefs occupied by the Philippines. (Please, refer to the map.) Saying that the AFP is ready to defend the territories of the Philippines in the Spratly islands (referred to by the Philippines as the Kalayaan Island Group), Esperon stressed, “We are not giving up our claim to any of the islands. We are here to defend any territorial encroachment.” At present, there are about 80

Filipino soldiers deployed in nine islands and reefs occupied by the Philippines. For now the AFP has no plans of deploying additional troops in the area. Of the six countries that claim the Spratlys, only Brunei has no military presence in any of the islands. Pag-Asa Island is the largest island being occupied by Filipino soldiers and citizens. Aside from Pag-Asa, there are six other islands and two reefs occupied by Filipino soldiers. While stressing its readiness for defense, Esoeron said the best way to resolve the Spratlys problem is through diplomacy and peace talks. He believes that entering into agreements such as the Joint Marine Seismic Undertaking (JMSU) between China, Vietnam and the Philippines is not a bad approach in solving the problem diplomatically.

Telecommunications experts who joined the recent visit to the island also installed a Very Small Aperture Terminal (VSAT) communication facility to enable the troops to have a cell phone connection to the mainland, particularly with the AFP general headquarters and anywhere in the country. (Source here: Philippine Star, March 26, 2008)

(Please refer to 2. 2. Analysis in this report.)

Map: Territorial islands and reefs of the Spratlys occupied by the concerned countries

Source: Global Security.org
<http://www.globalsecurity.org/military/world/war/images/spratmap.gif>

**March 24 “Indonesia, Singapore hold military exercise over the Malacca Strait”
(The Jakarta Post, March 25, 2008)**

Singapore and Indonesia opened a two-day joint exercise called “Operation Camar Indopura” over the Strait of Malacca on March 24. During the first day of the exercise, the Indonesia Air

Force deployed a Boeing-737 marine patrol aircraft, while the Royal Singapore Air Force flew two Fokker-50 surveillance planes. The joint exercise aims to improve the two nations' capability in maritime search and rescue operations, and it is also expected help two countries address illegal logging and fishing.

March 27 “Indonesia, Australia agree to cooperation in building joint patrol boats” (Antara News, March 28, 2008)

On March 27, Indonesian Defense Minister Juwono Sudarsono said after meeting with Australian counterpart Joel Fitzgibbon that two nations were exploring a cooperation in building joint patrol boats, and if the funding is adequate, the construction work could be carried out at PT PAL ship-building company in Indonesia. Two defense ministers discussed mutually beneficial cooperation in the defense industry, including the construction of joint patrol boats. Defense Minister Juwono said no target had been set so far, because everything was still in stage of technical certification exploration. According to Juwon, joint patrol boats are not only for Indonesia and Australia, but for other neighboring countries in the West Pacific region as an export in mind.

March 28 “India, Singapore conduct bilateral naval exercises” (India Ministry of Defense, Press Release, March 28, 2008)

Two Navies of India and Singapore are conducting the exercises called “Singapore India Maritime Bilateral Exercises (SIMBEX 2008)” in the Bay of Bengal off India's eastern coast from March 16 through 30. In the exercises, Singapore fielded a landing platform dock (LPD), one frigate, two guided missile corvettes while India deployed various ships and aircraft, including one guided missile destroyer, a guided missile frigate, and one submarine. The bilateral exercises have been held every two years since 1994.

1.3 Diplomacy and International Relations

March 2 “Taiwan MA Council reports China’s influence in Africa increasing” (The Central news Agency, March 3, 2008)

China's political and economic influence in Africa has been rising steadily as a result of a recent diplomatic push by Beijing aimed at winning over countries there, the Mainland Affairs Council (MAC) of Taiwan said in a report released on March 2. According to the MAC, all these efforts by Beijing are based on considerations of domestic economic growth, the international political situation and its policy toward Taiwan. The MAC pointed out in its report that China recently began to place strong emphasis on developing its relations with African countries and on promoting China-Africa cooperation in every region of the continent. Chinese cooperation with African countries in the enterprise has centered on the development and production of natural

resources, particularly petroleum and minerals among others. On the other hand, the report went on that, although ties between China and Africa have been strengthening, points of friction have started to appear in the relationship.

Regarding Beijing's main consideration in offering economic assistance to African countries, it has been to win their support in the United Nations for the "one-China policy" and to use their voting power to squeeze Taiwan and obstruct its bid to join the world body, the MAC said.

March 14 "Russian Lower House ratifies maritime border with Norway" (RIA Novosti, March 14, 2008)

On March 14, Russia's lower house (Duma) ratified a maritime border treaty with Norway. The treaty on the delineation of a disputed section of the border in the Varanger fjord area of the Barents Sea was signed in July 2007 and submitted to the Duma by Russian President Vladimir Putin. The agreement could lead to a final settlement on the delineation of the 155,000 sq km Norwegian-Russian disputed zone. This zone is considered likely to hold substantial oil and gas deposits. The Varanger fjord area falls outside this zone. The Varanger fjord, the easternmost one in Norway, is approximately 100 km long.

March 24 "What U.S. should do for Taiwan's next regime: proposal from conservative think-tank" (The Heritage Foundation, WebMemo # 1865, March 24, 2008)

John J. Tkacik, Jr., Senior Research Fellow in China, Taiwan, and Mongolia Policy in the Asian Studies Center at The Heritage Foundation, US conservative think-tank, contributed to the WebMemo dated March 24 an article titled "Taiwan's Elections: Sea Change in the Strait." In the article, before democratic Taiwan's new president (to be inaugurated on May 20), Ma Ying-jeou, begins to feel that it has no alternative but to move closer to Leninist-mercantilist China, Tkacik proposed that the Administration and the Congress should move quickly to (a) invite Taiwan's President and Vice President-elect to Washington before their inauguration, (b) launch negotiations on a free trade agreement (FTA), (c) offer a Visa Waiver Program (VWP) road map, (d) approve Taiwan's Letter of Request for F-16C/D fighter aircraft, and (e) open a U.S.-Taiwan strategic dialogue. Expressing America's Asian partners fear that the United States is a Pacific power in decline, and they see China moving to fill the void, the author points out in a long range Washington's treatment of Taiwan will signal to Asia's democracies how Washington sees its roles in the region.

1.4 Shipping, Resources, Environment, and Miscellaneous

March 3 Indonesia's ITF and Seafarers Union urge government to act on illegal foreign ships" (The Jakarta Post, March 3, 2008)

The International Transport Workers Federation (ITF) and the Indonesian Seafarers Union have demanded the government take action against foreign-flagged vessels operating illegally in Indonesia. The groups said illegal operations had caused losses to the state because the vessels avoided paying taxes to the Indonesian government. Some of the tanker ships were allegedly chartered by state oil and gas firm Pertamina. Under a 2005 presidential decree, foreign ships were banned from operating as domestic carriers within Indonesia's maritime boundaries. "The decree clearly states that for domestic trade within the country, only Indonesian-flagged ships are allowed to carry out delivery services. But Indonesian companies actually operate foreign-flagged vessels, which are able to stay in Indonesia's waters without the obligation to abide by our regulations," union chairman Hanafi Rustandi said.

March 11 "Singapore to expand cruise ship terminal by 2010" (Channel NewsAsia, March 12, 2008)

The world's largest cruise ships currently being built are set to dock in Singapore by 2010, when the new International Cruise Terminal at Marina South is expected to be completed. The new terminal will double the number of cruise berths in the country to four, the Singapore Tourism Board (STB) said at the Seatrade Cruise Shipping Convention 2008 in Miami, U.S. on March 11. STB said the terminal will also be able to host the *Genesis*-class cruise ships, which have an expected capacity of about 5400 passengers. Together with the current Singapore Cruise Center, STB said it expects the new terminal to increase the country's cruise passenger handling capacity and achieve the targeted 1.6 million cruise passengers per annum by 2015. In 2007, the Singapore Cruise Center reported a cruise passenger volume of over 943,000, an increase of more than 10 per cent over the 857,000 passengers in 2006.

Notes: According to the World Cruise Network, Royal Caribbean International (RCI) is building a new class of cruise vessel called the *Genesis*-class in Finland. The first of the new class is expected to enter service in the final quarter of 2009. The ship will have a gross ton in excess of 220,000t.

<http://www.worldcruise-network.com/projects/genesis/index.html#genesis1>

An illustration of the *Genesis* Class

Source: World Cruise Network HP

<http://www.worldcruise-network.com/projects/genesis/genesis1.html>

March 11 “Vietnam becoming world’s 4th shipbuilding giant” (Vietnam Net, March 11, 2008)

Vietnam has been listed as the last one of the top five shipbuilders in the world by the United Kingdom (UK) magazine, *Fairplay International Shipping Weekly*. Vietnam Shipbuilding Industry Group (Vinashin) President Pham Thanh Binh says the country’s shipbuilding sector is on track to becoming the fourth largest in the world by 2015. He cites the delivery of two 53,000-ton ships to the UK in June 2007 as Vietnam’s passport to the world market. Vinashin now has almost 200 shipyards nationwide and the capacity to build oil tankers greater than 300,000 tons. It has received orders to build ships worth about 6 billion US dollars (USD), including 4 billion USD from countries with advanced shipbuilding technology such as the UK, Japan, the Netherlands and Germany. However, there are still some issues that need to be addressed. Currently, only about 30 percent of the materials and services required to build ships comes from Vietnam. The industry has to import most of the materials and engines and use international consultants and supervisors on building projects. Vinashin is in a quest to have 60 percent locally-made materials supplying the industry by 2010, and 75 percent by 2015. Additionally, the group annually sends technicians to Poland, Japan and Denmark for training.

March 26 “Pakistan’s Gwadar port starts commercial operations” (PSA Gwadar International Terminals, News Release, March 26, 2008)

According to the News Release from Port of Singapore Authority (PSA) Gwadar International Terminals in Pakistan dated March 26, the inaugural call was made by the *Pos Glory* (40,000-GT) carrying 64,000 metric tons of wheat on March 15. Upon the completion of discharge of the cargo, the vessel departed on March 24, 2008. The *Pos Glory* is the biggest bulk vessel to berth alongside a Pakistani port to-date. Since taking over the PSA Gwadar International Terminals as a port operator, PSA International in Singapore has sent its experienced management team and engineers to organize and start up operations. They have made improvement to processes and installation of new equipment, including 2 container quay cranes. Importers and exporters currently shipping goods through the ports in Karachi have expressed strong interest in using Gwadar Port for their related business.

March 31 “Greater Mekong Subregion North-South Economic Corridor opens” (Xinhua, March 31, 2008)

On March 31, leaders of from the six Greater Mekong Subregion (GMS) countries attended a ceremony for the completion of the GMS North-South Economic Corridor (NSEC) in the Laos capital, Vientiane. The member-countries of the GMS are Laos, China, Vietnam, Myanmar, Cambodia and Thailand. The Kunming-Chiang Khong road in the NSEC links China's Yunnan province with northern Thailand via Laos. The last remaining stretch of road in the northwest region in Laos with a total length of 220 kilometers was completed with financial assistance contributed by China, Thailand, and the Asian Development Bank.

In addition, on March 30 and 31, the third GMS summit was held in Vientiane, and the Vientiane Plan of Action for GMS Development for 2008-2012 was endorsed. In this regard, the leaders underscored the importance of making substantial and early progress in the fields of transport, energy, telecommunications, agriculture, environment, tourism, human resource development, trade facilitation, and investment.

2. Intelligence Assessment

2.1 U. S. Defense Department Report on China's Military Power 2008

On March 3, U.S. Department of Defense (DoD) published an Annual Report to Congress on Military Power of the People's Republic of China 2008¹(hereafter report). This is the seventh report since George W. Bush came into power. As it said in 2007, the report says, "Current trends in China's military capabilities are a major factor in changing East Asian military balance, and could provide China with a force capable of prosecuting a range of military operations in Asia – well beyond Taiwan," "China's continued pursuit of anti-access/area denial capabilities is expanding from the traditional land, air, and sea dimensions of the modern battlefield to include space and cyber-space," and "Actual Chinese defense expenditures remain far above officially disclosed figures." Additionally, the report continues, "The lack of transparency in China's military and security affairs poses risks to stability by increasing the potential for misunderstanding and miscalculation. This situation will naturally and understandably lead to hedging against the unknown." The report has the content of keeping an eye on the movement of the Chinese military power that still lacks transparency.

Deputy Assistant Secretary of Defense for East Asia David Sedney said in his brief on March 3 that there was no one biggest change; what is notable is that the trend in the past is continuing.

Following are the major characteristics of the report viewed from the areas of interest in this monthly report.

1. Military Balance in front of Taiwan Strait

A short term focus on strengthening the People's Republic of China (PRC)'s military power is placed on preparing the capabilities for settling the conflict in the Taiwan Strait, taking the view of the possibility on U.S. intervention. What is notable is a rapid buildup of missile forces is continuing. According to the report, by November 2007, the People's Liberation Army (PLA) had deployed between 990 and 1,070 CSS-6 and CSS-7 short range ballistic missiles (SRBM) to garrisons opposite Taiwan. It is increasing the size of this force at a rate of more than 100 missiles per year, including variants of these missiles with improved ranges, accuracies, and payloads.

As for air power, currently, 490 aircraft could conduct combat operations against Taiwan without refueling. However, this number could be significantly increased through any combination of aircraft forward deployed. Taiwan has 390 combat aircraft.

As for naval power, the East and South Sea Fleets would be expected to participate in direct action against Taiwan Navy. Two fleets combined have 17 destroyers, 36 frigates, 24 tank landing ships, 23 medium landing ships, 32 diesel attack submarines and 35 missile boats (currently the

¹ The report is available from the URL below:
http://www.defenselink.mil/pubs/pdfs/China_Military_Report_08.pdf

power is increasing). On the other hand, the Taiwan navy has four destroyers, 22 frigates, 12 tank landing ships, four medium landing ships, four diesel submarines and 51 coastal patrol boats.

The trend of military balance of two coasts in the Taiwan Strait is seriously related to the security of sea lane of Japan. As for the cross-Strait military balance, the report assesses, as the previous 2007 edition estimated, that, as a result of China's continuous economic growth, diplomatic offensive, and the expansion of military power above-mentioned, "it is shifting in the mainland's favor." However, the report, like the previous one, regards China is deterred on multiple levels from taking military action against Taiwan. First, China does not yet possess the military capability to accomplish with confidence its political objectives on the island, particularly when confronted with prospect of U.S. intervention.

2. Development of anti-access/area denial capabilities

Development of China's air and naval power is, in the long-term, showing the trend of expanding beyond Taiwan. According to the report, the PLA appears engaged in a sustained effort to develop the capability to interdict, at long ranges, aircraft carrier and expeditionary strike groups that might deploy to the western Pacific. Increasingly, China's anti-access/ area denial forces overlap, providing multiple layers of offensive systems, utilizing the sea, air, and space. According to the report, Chinese aim of the hour in this strategy is seeking the capacity to hold surface ships at risk through a layered defense that reaches out to the "second island chain" (i.e., the islands extending south and east from Japan, to and beyond Guam). In the long term, improvement of China's Command, Control, Communication, Computing, Information, Surveillance, and Reconnaissance (C4ISR) capabilities, including space-based and over-the-horizon sensors are improved, could enable Beijing to identify, track and target military activities deep into the western Pacific Ocean. Here, this report has basically the same assessment as the 2006 and 2007 editions.

As anti-access/area denial capabilities, taking note of the recent expansion of the China's surface and submarine forces, the report mentions as follows.

- (1) Two new *SHANG*-class (Type 093) nuclear powered attack submarines (SSN) and one *JIN*-class (Type 094) SSBN may soon enter service alongside four older *HAN*-class SSNs and China's single *XIA*-class SSBN.
- (2) China has an estimated ten *SONG*-class (Type 039) diesel-electric attack submarines (SS) in its inventory. The *SONG*-class SS is designed to carry the YJ-82 (CSS-N-8) ASCM. The *YUAN*-class SS is now assessed to be in production and will be ready for service by 2010.
- (3) The PLA Navy has received seven new domestically produced surface combatants in the past two years, including two *LUYANG II*-class (Type 052C) DDGs fitted with the indigenous HHQ-9 long-range surface-to-air missile (SAM); two *LUZHOU*-class (Type 051C) DDGs equipped with the Russian SA-N-20 long-range SAM, and three *JIANGKAI II*-class (Type 054A) guided missile frigates (FFG) to be fitted with the medium-range HHQ-16 vertically launch naval SAM currently under development. According to the report, these ships reflect leadership's priority on advanced anti-air warfare capabilities for China's naval forces, which

has historically been a weakness of the fleet.

- (4) China is continuing construction of its new Type 022 catamaran-style missile patrol craft, which likely will be armed with ASCMs.

3. PRC Navy's sealane defense capabilities

The report points out that, as China's economy grows, dependence on secure access to natural resources is becoming a more significant factor shaping China's strategic behavior. However, China's current ability to project and sustain power at a distance remains limited despite Beijing's increasing concerns over the security of its access to energy supplies. The report estimates that the PLA, at least for the near and mid-terms, will face an ambition-capability gap. "Currently it is neither capable of using military power to secure its foreign energy investments nor of defending critical sea lanes against disruption," the report says.

Looking to the future, China may seek to close this gap by developing: extended-range power projection, including aircraft carrier development; expeditionary warfare; undersea warfare; anti-air warfare; long-range precision strike; maritime C4ISR; expeditionary logistics and forward basing; training and exercises, especially in open water; and a more activist military presence abroad.

In this process, it should be regarded with attention when China will have an aircraft carrier. Compared to the 2006 and 2007 editions, the report mentions less about the aircraft carrier. It says, "China has an active aircraft carrier research and design program. If the leadership were to so choose, the PRC shipbuilding industry could start construction of an indigenous platform by the end of this decade," regarding a start of construction is up to a decision of the leadership. The aircraft carrier is regarded to be an essential platform if the PLA Navy is to grow into real ocean-going navy with sea lane defense capability over the distance. The future trend over the China's development of the carrier must be closely watched, as it will give serious influence on Japan's sea lane defense.

2.2 Controversy over the Philippines' territorial demarcation

The United Nations (UN) required all six claimants - Philippines, China, Vietnam, Malaysia, China, Taiwan, Brunei - to pass a law defining their respective archipelagic baselines in order to settle the territorial dispute in the South China Sea. To comply with the UN requirement, the Philippine government introduced a bill of defining the boundaries of the Kalayaan Island Group (KIG), which indicates "Spratly Islands" in Tagalog in the Congress. The bill - House Bill 3216 (the New Baseline Bill) - was passed on second reading at the foreign affairs committee of the House of Representatives last December 13. But the bill has been stalled for three months.

The main point for discussions about the territorial demarcation bill - House Bill (HB) 3216 is whether or not to include in the territorial line the KIG and the Scarborough Shoal west

of the Central Luzon. HB3216 include them in the territorial baseline.

The main cause of putting the deliberations in the Congress stalled was “Agreement for Seismic Undertaking for Certain Areas in the South China Sea By and Between China National Offshore Oil Corporation and Philippine National Oil Company” ceremoniously signed by the two countries on September 14 during Philippine President Gloria Macapagal Arroyo’s stay in China. Arroyo chose China as the first foreign country she visited after taking office as president in September 2004. This agreement was later modified and renamed “Tripartite Agreement for Joint Marine Seismic Undertaking in the Agreement Area in the South China Sea (hereafter JMSU),” after inclusion of Vietnam's national oil corporation on March 14, 2005. The JMSU is to gather and process data on stratified graph, tectonics and structural fabric of the subsurface of the area through the joint seismic study, but its details have not been officially made public. However, in the Congress there is criticism that the government has sold Philippine territory over the areas targeted for surveys which were leaked to the public.

Below is an introduction of the outline of discussions over the agreements which have been reported in the Philippine news media.

1. Points at issue over territorial demarcation

As for this issue, a Malaysian journalist, Ellen Tordesillas, reported in a series of two parts on the issue over the area demarcation bill on her blog dated March 24 and 25² as an article which was jointly covered by six journalists. The first part of the article on the 24th titled “Arroyo neglect, government infighting jeopardize RP’s territorial claim” reported on how the Philippines had made efforts for the submission over the extension of the area. The second part of the article on the 25th titled “RP in last minute scramble to beat United Nations (UN) deadline” reported on an issue over a bill of defining the boundaries of the Philippines’ territorial area. Below is an introduction of an outline of the article dated March 25th.

- (1) The Philippine government intends to submit a claim including the resource-rich KIG and other disputed territories before the UN Commission on the Limits of the Continental Shelf (CLCS) over its extended continental shelf before the May 13, 2009 deadline (the deadline for the submission for the outer limit of the extended continental shelf is designated to be within ten years after the ratification of the UN Convention of the Law of the Sea (UNCLOS) by the nations concerned). The member countries can submit the UNCLOS a claim to an extension of the outer limit of the continental shelf to the maximum of 350 nautical miles (nm) beyond 200 nm. For this purpose, the claiming nations should submit to the CLCS the data which support their claims, conducting geological research of the bottom of the ocean. Attorney Henry

² You could have access to blog: <http://www.ellentordesillas.com/>

Bensurto, head of the Commission on Maritime and Ocean Affairs (CMOA)³ Secretariat, says the government plans to submit to the CLCS on April 13, 2009 the technical data proving that the KIG and Scarborough Shoals are part of the country's extended continental shelf.

- (2) Professor Teodoro Santos, formerly of the UP National Institute of Geological Sciences (NIGS) identified three areas where the Philippines could claim an extended continental shelf: the KIG west of Palawan; Scarborough Shoal (Isla Bajo de Masinloc) west of the Central Luzon; and Benham Rise, off the Bicol Region of the eastern margin of Luzon in the Pacific Ocean. Of these three areas, he said KIG is the "most promising with respect to petroleum and natural gas." In terms of the equivalent in billion barrels of oil within the area of the KIG, he said the Chinese have the highest estimate at 100 to 200 billion barrels, with Russian sources estimating a low of seven billion barrels. "The Scarborough shoal is made up of mid-oceanic ridges formed during the extension of the South China crust, which are presently adding to the growth of Western Luzon by accretion. The Benham Rise is an extinct volcanic ridge added into the eastern margin of Luzon," said Prof Mario Aurelio of the UP-NIGS.
- (3) The extent of the continental shelf is measured from the country's baseline, but the bill amending and redefining the archipelagic baseline remains pending in Congress. The existing baseline law, passed and amended in the 1960s, used the Treaty of Paris to define Philippine boundaries. The Treaty of Paris is the 1898 agreement in which Spain ceded the Philippines to the United States. The baseline law needs to be amended and harmonized with UNCLOS provisions, in particular the doctrine of archipelagic states which draws a straight archipelagic baseline "joining the outermost points of the outermost islands and drying reefs of the archipelago."(Article 47, 1)
- (4) In December 2007, the various member agencies of CMOA agreed to adopt the position that the country's baseline would be the lines enclosing the main archipelago. KIG as well as Scarborough Shoal would be treated as "regimes of islands" (UNCLOS Article 121) that are part of Philippine territory but outside the baseline (see CMOA illustration: option 2). Besides, even if KIG and Scarborough Shoal are not within Philippine baseline, they will still form part of the country's extended continental shelf. KIG is considered part of Palawan province and are part of Philippine territory by virtue of Presidential Decree 1596. (Article 121 stipulates as follows: 1. "An island is a naturally formed area of land, surrounded by water, above water which is at high tide." 2. It has the territorial sea, the contiguous zone, the exclusive economic zone (EEZ) and the continental shelf.)

³ The Commission on Maritime and Ocean Affairs (CMOA) is a Cabinet-level concern created under the Office of the President in March 2007. The CMOA is chaired by the executive secretary with the justice secretary and foreign affairs secretary as vice chairs. The initial members were the departments of national defense, of environment and natural resources, of budget and management, of transportation and communications, of tourism, of trade and industry, the National Security Council, Bureau of Fisheries and Aquatic Resources, National Mapping and Resources Information Authority (NAMRIA), and the Philippine Coast Guard. Later, the Department of Energy joined. So far, the Office of the President has made few efforts in preparing for the budget for the submission of extending the outer limit of the continental shelf. However, it distributed 1.2 billion pesos to the NAMRIA in 2008, and, for the first time, it is getting a 380 million pesos allotment for the extended continental shelf delimitation project (according to information from the first article on aforesaid blog on March 24).

- (5) Whatever moves the government takes regarding KIG and Scarborough Shoal, however, it would have to take into account diplomatic negotiation with neighboring countries, which also consider the islands part of their own territories or continental shelves. Suzette Suarez, formerly with UP-IILS and now with the CLCS, says, “The CLCS will not examine and qualify a submission by any State in cases where a land or maritime dispute exists unless there is prior consent given by all States that are parties to the dispute.” In case of KIG, it is an area of conflict over the territorial sovereignty, and in case of Scarborough, claiming to sovereignty over the territorial rights from China (and Taiwan) is overlapping. However, no other nations have claimed territorial rights over the area within 400 miles of Benham Rise.

2. Problems over JMSU

- (1) The statement of the Philippines’ Department of Foreign Affairs (DFA) dated March 3 is as follows. (a) The JMSU is a landmark agreement that affirms the political commitment of the three claimant states to approach their disputes in the South China Sea in a peaceful and constructive manner. (b) The JMSU is a joint evaluation of marine resources potential in the area claimed by participating countries and is limited to scientific surveys. (c) The JMSU does not impinge on the sovereignty and territorial integrity of the Philippines. (d) Any activity beyond scientific surveys would be subject to further consultation and agreement among the participants, and would have to conform with Philippine constitution and laws, as well as the ASEAN-China Declaration on the Conduct of Parties in the South China Sea (DOC).
- (2) Barry Wain, writer-in-residence at the Institute of Southeast Asian Studies in Singapore pointed out the problems involved in the JMSU, which made the start of causing imbroglio in the Philippine Congress. Wain contributed an article titled “Manila’s Bungle in The South China Sea” to *the Far Eastern Economic Review* (FEER) (hereafter FEER 1), January/February 2008, and another article titled “Gloria Arroyo at Sea with China” to the FEER March 2008 (hereafter FEER 2).
- (a) In the FEER 1, Wain says the reasons for wanting to keep it under wraps are apparent although neither JMSU nor survey area has not been made public in the FEER 1. According to the survey area revealed to those who are concerned (please refer to Map 1), the designated zone, a vast swathe of ocean off Palawan in the southern Philippines, thrusts into the Spratlys and abuts Malampaya, a Philippine producing gas field. Regarding the zone, Wain is introducing a comment of Mark Valencia, an independent expert on the South China Sea. Valencia says some would say it was a sell-out on the part of the Philippines. Worse, by agreeing to joint surveying, Manila implicitly considers the Chinese and Vietnamese claims to have a legitimate basis, he says. In the case of Beijing, this has serious implications, since China is claiming the U-shaped line territorial rights extending almost the entire South China Sea on “historic” ground. Manila’s support for the Chinese “historic claim” would weaken the positions of Malaysia and Brunei, whose claimed areas are partly within the Chinese U-shaped line, he says. The Tripartite oil corporations - China National Offshore Oil Corporation (CNOOC), Philippine National Oil Co. (PNOC) and Vietnam Oil and Gas

Corporation (PetroVietnam) - insist it is a strictly commercial venture by their national oil companies that does not change the sovereignty claims of the three countries involved. Already, China has approached Malaysia and Brunei separately, suggesting similar joint ventures, says Wain. (According to *the Philippine Daily Inquirer* dated March 15, the JMSU, a three-year agreement that took effect in July 2005, allows the tripartite oil companies to conduct a joint seismic study in disputed areas of the South China Sea.)

- (b) In the FEER 2, Wain says criticism on the JMSU has been intensified in the Philippines, and many of the critics throw doubts on the motives of Philippine President Gloria Macapagal Arroyo and the relations between the agreement and the padded loans received from China.

Map 1: Map of targeting survey area of JMSU collected by SBS-CBN News

Source: ABS-CBN News, March 10, 2008

<http://www.abs-cbnnews.com/images/news/newspics/03-10-2008/jmsumap.jpg>

Notes: Orange line is 200-mile EEZ based on Philippine's Presidential Act 1599.

3. Arroyo government and JMSU

Philippine *ABC-CBN News* (Online) reported on the problems over the JMSU in an article titled "A Policy of Betrayal," consisting of three parts in a series and running on March 15. Below is the gist of the report.

- (1) There are close relations between the President and China in the background that President Arroyo allowed the JMSU. In seven years, the Arroyo government signed 65 bilateral pacts with China. It means that Arroyo averaged 9 to 10 agreement a year – unusually way beyond any previous administrations. Until September 2004, of the 65 bilateral pacts, only 18 had been

signed before or around the same time as the JMSU in September 2004. Targeted survey area of the JMSU is 142,886 square kilometers, of which about 80 percent is within Philippines waters. An investigation shows that in exchange for conceding the territorial waters, the Arroyo administration may have agreed to receive padded loans from China. When the JMSU agreement was signed, four other bilateral agreements, including the assistance to railroad construction among others, were signed simultaneously.

- (2) The Philippines not only compromised its territorial waters but also neglected the responsibility to strengthen its claim on the Spratly islands next to its exclusive zone. The UNCLOS has set a May 2009 deadline for the countries that want to extend their exclusive economic zone (EEZ) by a maximum of 150 nautical miles. To do that, the Philippines must present mostly geological evidence that the extended continental shelf or the underwater landmass beyond its EEZ is the extension of the one in Palawan. If it establishes that, then the Philippines all the more becomes the claimant country nearest to the Spratlys and therefore strengthen its territorial claim on area. In September 2001, President Arroyo created the Maritime and Ocean Affairs Center (MOAC) to assist the foreign affairs secretary in maritime issues. However, the MOAC has yet to receive a decent funding. Few preparations have been made for the application to the CLCS.
- (3) Legal and diplomatic experts point out that the JMSU is probably against the Constitution. According to them, if the JMSU area is within the EEZ, then it should be operating under the provisions of the Philippine Constitution and Republic Act 387 and Petroleum Act of 1949. Article XII of the Constitution, under the title National Patrimony, provides that all natural resources are owned by the State, and therefore their exploration, development, and utilization shall be under the full control and supervision of the State. In cases when the Philippines enter into a joint venture with a foreign company to exploit those resources, at least sixty percent of whose capital is owned [Filipino] citizens. In addition, the Constitution allows the President-not any deputy- to enter into an agreement with foreign corporations for large-scale petroleum exploration. Moreover, the President shall notify the congress of every contract entered into in accordance with this provision, within thirty days from its execution.
- (4) The JMSU provides (a) equal privilege to China and Vietnam in the survey area. (b) The president did not sign the JMSU agreement. (c) The Malacanang did not notify Congress about it, which violates these provisions. (Until now, the Malacanang has not made the agreement public, owing to the provision that “this agreement and all relevant documents, information, data and reports” with respect to the JMSU shall be kept confidential for eight years.)

Also, the JMSU violated the Philippines’ Petroleum Act of 1949. The law says that, “All natural deposits or occurrences of petroleum or natural gas...belong to the State,” and that “the right to explore for, develop, exploit or utilize the petroleum resources... [should be undertaken] under a contract of service executed for the Republic of the Philippines by the President and approved by the Congress of the Philippines.”

They said the JMSU should have been covered by a treaty, not just by an executive agreement. It is the Senate’s responsibility to ratify the treaties. They doubt that the President

may have tried to bypass it for agreements that require Senate approval.

- (5) Aileen Baviera, dean of the University of the Philippines (UP) Asian Center, said, “The JMSU legitimized that we have no control over the Spratly Islands.... If it’s ours, why are we allowing foreigners to operate there without our control?” Also, Dr. Perry Alino of the UP Maritime Science Institute points out that, considering the fact that about 80 percent of the JMSU area is within the Philippine EEZ, China normally refuses multilateral agreements when it comes to exploitation of marine resources in the area it is claiming it’s theirs. Apparently, they agreed this time with the JMSU because of obvious reasons that it’s the area where another country insists on its sovereignty.

4. Concern of China

Regarding such criticism in the Philippines over the JMSU agreement, the Chinese Embassy in Manila expressed anxieties in a statement on March 12. The statement said, “China is worried about some recently emerged tendencies in the Philippines, which may impose negative influences on the China-Philippine friendly relations and reciprocally cooperative relations.” In addition, stressing that the JMSU is in line with Beijing’s consistent and explicit position on the South China Sea issue, the statement said, “China stands for peaceful resolution of disputes over South China Sea through friendly consultation. In order to maintain stability in the South China Sea and to promote mutually-beneficial cooperation, China has put forward the proposition of ‘shelving disputes and going in for joint development,’ which serves the common interest of all sides concerned.” (The Philippine Daily Inquirer, March 13, 2008)

On March 17, the PNOC confirmed that a Chinese ship, the *Nan Hai 502*, which is involved in seismic mapping, docked in Puerto Princesa City, Palawan. The *Nan Hai 502* is one of three vessels owned by China Oilfield Services Limited, which are involved in gathering data. The PNOC stressed that, although Palawan is the nearest island from the targeted area for the supply of fuel and provisions, their activities are limited to the data collection in the survey area. The Philippine Congress is in recess until April 21, but after the recess, they are planning to hold a joint public hearing on the JMSU at both Houses. (ABS-CBN News, March 18, 2008)

5. Policy of the Presidential Office

- (1) In order to respond to the criticism from the Congress, the Malacanang decided to make the JMSU public. Sergio Apostol, chief presidential legal counsel, said the Malacanang has green-lighted the Philippine National Oil Co.-Exploration Corp. (PNOC-EC) to hand over a copy of the controversial agreement on March 13. “We agreed that PNOC-EC will furnish two committees in the House and Senate copies of JMSU with an admonition they should respect confidentiality clause because it’s a commercial contract,” he said. However, Apostol said the JMSU can not be divulged to the public since it is a commercial contract, and also denied reports that the JMSU has authorized the signatories to conduct oil exploration. Additionally, it is up to PNOC-EC to decide when it would release a copy to Congress. (ABS-CBN News, March 14, 2008)

(2) Regarding the procedures for the baseline bill in the upcoming Congress session, *the Philippine Daily Inquirer* dated March 20 reported that on the 19th the Malacanang had presented the three options, the gist of which was as follows.

Executive Secretary Eduardo Ermita disclosed the three options of the Malacanang as below.

- (a) Bring House Bill (HB) 3216 back to the committee on foreign relations after including the CMOA's proposed amendments (as above-mentioned 1-(4)).
- (b) Prepare an entirely new bill for deliberations by the same committee.
- (c) Push through with the third reading of HB 3216 and wait for the bicameral conference committee to convene and insert the needed amendments.

Ermita said he would carry on the first option.

Ermita said treating the KIG as a "regime of islands," instead of including it in the proposed territorial baselines, would "not weaken our claim." He also said that by seeking to modify HB 3216, the Malacanang - through the CMOA which Ermita chairs - had only the national interest and sovereignty in mind.

Concerning the "regime of islands," Deputy presidential spokesperson Anthony Golez was asked why the Malacanang would support the exclusion of KIG, as well as Scarborough Shoal off Luzon, from the baselines' law. Gonzales said, "Because if we start claiming that as ours in our own law, China would also pass a law stating that it's part of China." "To avert any strain in our diplomatic relations, it's better to stick to the concept of 'regime of islands' and let the resolution over the contested islands be brought before the proper forum, which is the UN," Gonzales added. HB3216, over which the deliberations at the Congress are at a deadlock, includes KIG and Scarborough Shoal in the baseline of the Philippines' territorial area. "There's a big difference because we will measure our EEZ from the baselines," Ermita said. (Please refer to Illustration 1: Option 2 and Illustration 2: Option 4.) In addition, he stressed, "We are not renouncing the territorial sovereignty over the KIG and Scarborough just because they are not included in the baseline. We have the territorial sovereignty over them since they're part of our 200-mile EEZ."

Illustration 1: Option 2 (CMOA's slide attached to aforesaid blog; same hereafter)

http://www.ellentordesillas.com/wp-content/uploads/2008/03/map3_cmoa_option.JPG

Illustration 2: Option 4

http://www.ellentordesillas.com/wp-content/uploads/2008/03/map2_hb3216.JPG

6. Opinions in the Congress

- (1) As to the policy, the members of the Philippines' House leadership are intending to pass the HB3126 which includes territorial baseline of KIG and Scarborough Shoal. According to the Philippine daily newspaper, *the Philippine Daily Inquirer* dated March 27, House Speaker Prospero Nograles said international courts should settle any conflicts arising from the passage of the baseline bill, emphasizing the main points as follows.

- (a) The bill needs to be passed to comply with the UNCLOS. What we are approving is only defining our baseline. The other claimants of the territorial sovereignty can also define their baselines. If there is a conflict, let the international courts settle it. This was why the UN asked everybody to draw their baselines and then the conflict will be resolved by an international court.
- (b) But if we don't draw up our baseline, then what is the basis for settling the dispute?
- (2) On the other hand, Senator Antonio Trillanes IV insisted including the Scarborough Shoal in the baseline and the KIG as "regime of islands." He said, although including Scarborough would cause a slight departure from the natural configuration of the archipelagic baselines, it would still fall within UNCLOS Article 47. The Article states that "the length of such baselines shall not exceed 100 nautical miles, except that up to three percent of the total number of baselines enclosing any archipelago may exceed that length, up to a maximum length of 125 nautical miles." He said excluding Scarborough would mean a loss of some 15,000 square nautical miles. With KIG, it's a different matter because the two possible base points--Sabina Shoal and Iroquois Reef that could connect with the main archipelago don't meet UNCLOS requirements. The other islets which meet UNCLOS requirements are occupied by other claimants. (The information above-mentioned is taken from an article "UNCLOS' regime of islands" on the blog dated March 26.)

Conclusion

In the background of this imbroglio is the problem of jurisdiction over the sovereignty on the extension issue of the outer limits of the continental shelf. This issue is regarded to be the "work of deciding the last territorial jurisdiction on earth." In future, as we have discussed several times in the OPRF MARINT Monthly Reports (for example in 2. Intelligence Assessment in OPRF MARINT Monthly Reports, September 2007), it is expected that the nations concerned will try to seize a chance of taking offensive involving the political and economic speculations of the nations concerned in the Arctic Circle during the deliberations in the Commission on the Limits of the Continental Shelf (CLCS). The imbroglio at the Philippine Congress suggests the South China Sea is in no way an exception. The South China Sea is an important area of life and death to the sea lane security of Japan. In addition, Japan has a dispute with China for the interests of the EEZ over the oil field development in East China Sea. The direction of the conflict over the sovereign rights in the South China Sea between China and other five claimants and the extension problems of the outer limits of the continental shelf are the issues we cannot ignore.

Map 2: South China Sea Geopolitical Map

Source: Global Security.org

<http://www.globalsecurity.org/military/world/war/images/schinasea.gif>

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