



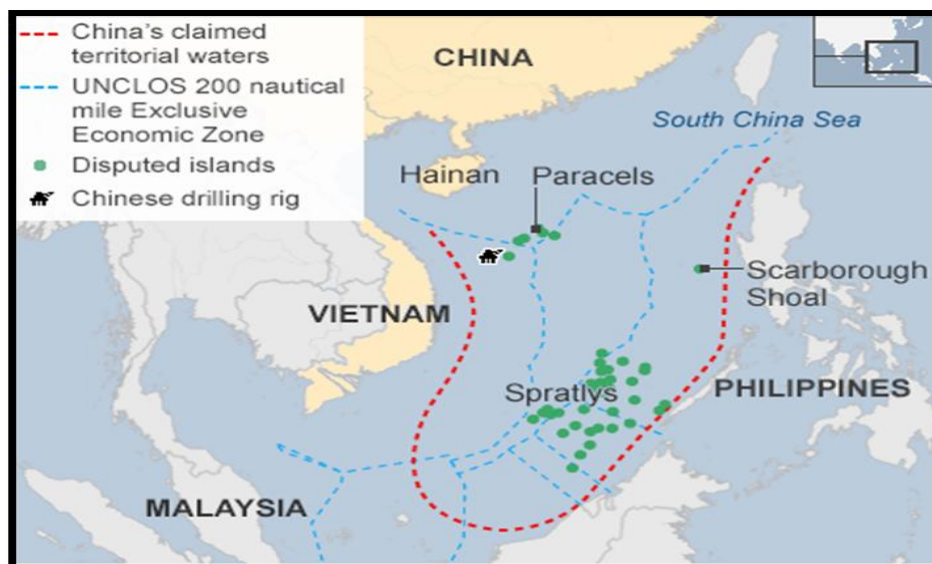
## Centre for Air Power Studies

### WITHDRAWAL OF OIL RIG: CHINESE MISADVENTURE OR A CALCULATED MOVE

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#### Introduction

On 15 July 14, China announced that its oil-drill platform Hai Yang Shi You 981 had completed its exploration operations off Triton Island ( Zhongjian Island in Chinese ) and would be towed back to Hainan Island<sup>1</sup>. There was nothing unusual about such a movement of a rig engaged in oil exploration except that the withdrawal of rig came a full month before its original deadline of 15 Aug 14. Vietnam, however, certainly heaved a sigh of relief, as a potential standoff between China and Vietnam was avoided. What made this routine activity so peculiar? The answer lies in the location of the oil rig; once again the hot spot of South China Sea was in news.



Source: UNCLOS, CIA

The oil rig HYSY-981 was positioned, since 02 May<sup>14</sup>, at 17 Nm from the Paracels Island, within Vietnam's 200 Nm (370km) Exclusive Economic Zone (EEZ) and continental shelf. China claims that it was operating completely within its waters around the Paracels Island, which it occupies since 1974. On the other hand, Vietnam claims sovereignty over this part of the South China Sea, a resource-rich maritime area to which Malaysia, Brunei and the Philippines also lay claim. The deployment of rig was widely seen as part of a strategy by China of gradually expanding its claims in the South China Sea.

### **South China Sea – An Area of Dispute**

The South China Sea (SCS) or East Sea has become an area of frequent maritime disputes with host of countries making claims to it. Important shipping lanes pass through this part of the globe which is believed to hold considerable oil-and-gas reserves and whose exploration has been hindered by maritime boundary disputes. As per the U.S. Energy Information Administration estimate, this area holds around 11 billion barrels of oil and 190 trillion cubic feet in probable reserves<sup>3</sup>. Realizing the economic potential, China has demarcated a U-shaped nine-dotted line (Nine Dash) that covers almost 80 % of the 3.5 million sq km SCS resulting in disputes with Philippines, Vietnam, Indonesia, Taiwan, Brunei and Malaysia.

China says that its claims in the SCS are based on historical background. China claims that it discovered the islands in the Han Dynasty in 2 BC. The islands were claimed to have been marked on maps compiled during the time of Eastern Han dynasty and Eastern Wu<sup>4</sup>. The new Chinese maps featuring the nine dash line have been generally rejected by international community. Further, these maps are not able to hold ground against the counter claims by other countries, namely Vietnam, Philippines, Malaysia and Brunei. In any case, history has no role to play where provisions of UN Convention on the Laws of the Sea (UNCLOS) lays down the dimensions of maritime zones. To counter this, Chinese experts declare these waters as 'Territorial Seas' around the islands, misinterpreting the UNCLOS.

China along with ASEAN countries (including Vietnam) have already signed an agreement on this subject — the 2002 “Declaration on the Conduct of Parties in the South China Sea”<sup>5</sup>. In this declaration, ASEAN and China have reaffirmed their commitment to the UNCLOS (Ratified by China in June 1996) and to the freedom of navigation in the South China Sea. However, China conveniently forgets the provisions of this convention while embarking on such maritime adventures.

### **The Build Up**

As soon as China deployed the rig in early May, Vietnam demanded its withdrawal and sent naval ships to disrupt its operations. China, as expected, accused Vietnam of illegally interfering with its activities. Vietnam blamed China of firing water cannons and ramming their fishing boats. Beijing, on the other hand, said that Vietnamese ships are ramming Chinese vessels. In mid May, the dispute led to anti-China riots in Vietnam, where angry mobs destroyed Chinese-owned factories, which left four dead and 100 injured<sup>6</sup>. The protesters set fire to various factories, forcing thousands of Chinese to flee.

In June, China’s Deputy U.N. Ambassador wrote to the U.N. Secretary General stating that Vietnam was violating China's sovereignty and posing a threat to their workers by interfering in drilling. Later, China dispatched three more oil rigs in the SCS, and initiated a number of land reclamation projects in the Spratly Islands, where it plans to build an airstrip and associated infrastructure. The situation deteriorated further when a Chinese ship damaged a Vietnamese fishing boat near the Paracels and arrested six persons for illegally fishing in Chinese waters.

By now, the bilateral relations between the two nations had dipped to a new low. Throughout this period, Vietnam took a firm stand that the country was determined to protect its sovereignty and demanded that China must move the rig away from Vietnamese waters stipulated by the UNCLOS. On July 10, the US Senate unanimously passed a resolution which urged China to withdraw its oil rig from Vietnamese waters--a move welcomed by Vietnam<sup>7</sup>.

### **The Withdrawal: Forced or Pre Planned**

There are many theories justifying withdrawal of the Chinese oil rig. According to the statement issued by the China National Petroleum Corporation, “the petroleum drilling and exploration operation of Zhongjian Project was completed on schedule on July 15 with the oil & gas found.”<sup>8</sup> This theory does not hold ground as per earlier announced schedule by the company; the rig was to continue operations till mid August. Some newspapers offered a second theory of bad weather. As per this, China withdrew the oil rig to avoid damage due to an approaching typhoon. However, it is generally known that the drilling platforms are constructed to withstand adverse weather conditions at sea. Moreover, if they were so concerned about the weather, they would have retained the platform anchored rather than tow it north towards Hainan Island, where the typhoon was headed.

Diplomatic pressure by the United States could be a factor which may have forced China to withdraw. Apart from the Senate resolution adopted on 10 July 14, it is also understood that a telephone call between President Barack Obama and Xi Jinping on 14 July could have made the difference. China may have realized that they should avoid further worsening of relations with Vietnam so as to prevent them getting closer to United States. And lastly, they may have the apprehension that Vietnam will initiate legal action to seek a permanent solution to the issue. In any case, the rig had achieved its purpose and China had proved to the world that it has the ‘will’ and capability to exploit the waters of South China Sea.

### **The Future**

Withdrawal of the rig from the South China Sea has avoided the risk of a naval standoff but will certainly strain the relations between the two countries. Although, China’s actions in withdrawing its platform should strengthen the hands of the “pro-China” faction within the Vietnam Communist Party, Vietnam will have to decide whether to go ahead or not with the legal case against China. If Vietnam decides to file a legal case and align with the United States for military cooperation, it may have to face few economic sanctions from China, its biggest trade partner<sup>9</sup>. On the other hand, if it decides to forget about the

incident, there is no guarantee that that Chinese will not come back and exploit its EEZ in future. The future may also see Vietnam deploying its naval or coast guard forces to protect its maritime interests and hasten its efforts to draw in foreign partners for oil exploration and production.

Though the oil rig crisis may have ended, it has once again highlighted the issue of pending maritime boundaries disputes in South China Sea. Time and again, China has demonstrated its maritime supremacy in the region. This episode has further strengthened the case for strict adherence to the existing 2002 declaration. The need of the hour is to find a permanent solution to such disputes. The ASEAN countries, along with China, must join together to prepare and adopt an official “code of conduct” for the SCS, as recommended in the 2002 declaration, to avoid any future conflict and promote peace and stability in the region.

*(Disclaimer: The views and opinions expressed in this article are those of the author and do not necessarily reflect the position of the Centre for Air Power Studies [CAPS])*

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### **End Notes**

<sup>1</sup> “Reasons China Removed Oil rig”, <http://thediplomat.com/2014>, 22 July 2014, accessed on 23 July 2014.

<sup>2</sup> “ Oil Rig Row South China Sea”, <http://www.theguardian.com>, 17 July 2014, accessed on 21 July 2014.

<sup>3</sup> “Reasons China Removed Oil rig”, n1.

<sup>4</sup> “Vietnam flays China’s position on South China Sea”, [www.eurasiaview.com](http://www.eurasiaview.com), 18 July 2014, accessed on 23 July 2014.

<sup>5</sup> “ Declaration On The Conduct Of Parties In The South China Sea”, [www.asean.org](http://www.asean.org), 04 November 2002, accessed on 24 July 2014.

<sup>6</sup> “ Oil Rig Row South China Sea”, n2.

<sup>7</sup> “China’s Oil Rig Withdrawal”, [www.thanhniennews.com](http://www.thanhniennews.com), 21 July 2014, accessed on 24 July 2014.

<sup>8</sup> “Reasons China Removed Oil rig”, n1.

<sup>9</sup> “ Vietnam – China Relations”, <http://english.vietnamnet.vn/fms/business>, 17 July 2014, accessed on 28 July 2014.