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## COMMENTARY

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### DEEPWATER OIL RIGS AS STRATEGIC WEAPONS

*Martin Murphy*

Wang Yilin, chairman of the China National Offshore Oil Corporation (CNOOC), reportedly told an audience at CNOOC's headquarters in Beijing in May that large-scale deepwater rigs are "our mobile national territory and a strategic weapon."<sup>1</sup> This writer is no sinologist and lacks the qualifications to parse these words for hidden meanings. At the same time, people are all too familiar with the sound of public figures misspeaking. Nonetheless, it appears prudent to assume that the man knew what he was saying and that we should accept his words at face value. If we do, we should be troubled.

Six concerns spring to mind. First, the statement appears to reflect the mercantilist thinking of China's ruling elite. Mercantilism, the trading philosophy that prevailed before open markets, saw wealth as limited and trade and national power as linked, such that it was not enough for one state to win commercially and therefore politically—the other state had to lose. Consequently, China's great corporations that have significant state involvement, such as CNOOC, should not be regarded as being the same as modern Western companies but as arms of

a competitive state in which profit maximization sits uncomfortably alongside the need to further Chinese state policy, whatever that might happen to be at the time.

Second, the legal position is unclear. The CNOOC chairman is asserting something that does not exist, since there is nothing in the law of the sea that recognizes platforms or structures as sovereign territory, even though they are considered under the title—that is, ownership—of the

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states that put them there. In general, such platforms have much more salience in the political than in the legal realm, and this realm appears to be what China is attempting to expand. Chairman Wang's language suggests that China intends using CNOOC platforms slowly to wrest control of offshore areas by creating an ambiguous political-legal aura of authority and control. Possession is nine-tenths of the law in any language, and if China (as in the game of *wei-ch'i*, known more widely in the West under its Japanese name of *go*) can establish an advantageous position, then it will.<sup>2</sup>

Third, how does this view of oil rigs as strategic weapons and this peculiar interpretation of China's legal status coincide with its "Three Warfares" thinking? The U.S. Department of Defense in its 2011 annual report to Congress, *Military and Security Developments Involving the People's Republic of China*, described this as a three-pronged offensive strategy based on

- Psychological warfare, which seeks to undermine an enemy's ability to conduct combat operations by deterring, shocking, and demoralizing enemy military personnel and supporting civilian populations.
- Media warfare, aimed at influencing domestic and international public opinion to build support for China's military actions and to dissuade an adversary from pursuing actions contrary to China's interests.
- Legal warfare, which uses international and domestic law to claim the legal high ground or assert Chinese interests, employing both to hamstring an adversary's operational freedom and shape the operational space. Legal warfare is also intended to build international support and manage possible political repercussions of China's military actions.<sup>3</sup>

Fourth, the implications of this thinking and of CNOOC's state-directed role in advancing China's national interests, when it comes to evaluating the current disputes in the South China Sea, are worrisome. China is looking to control 80 percent of the sea's area and is prepared to use all arms of national power (diplomatic, military, paramilitary, and commercial) to get what it wants.<sup>4</sup> The starting point is a historical claim usually delineated by the so-called nine-dash line, based on a similar line drawn up by the previous, Nationalist regime. This line and China's claims are contested by Vietnam and the Philippines particularly but by other littoral states as well.<sup>5</sup>

A semisubmersible deepwater rig of the type China launched in May—*Haiyang Shiyou 981* (known as *HYSY 981*)—which Chairman Wang was celebrating when he spoke about a strategic weapon, would give China access to all but the very deepest seabed areas within the line. The Stimson Center and the analysts Gabe Collins and Andrew Erickson all believe that for the present China

will not deploy such a vulnerable asset outside its undisputed exclusive economic zone (EEZ), even though the rig now enables China to undertake drilling operations in the deep waters off the Vietnamese coast.<sup>6</sup>

Collins and Erickson (who provide useful maps illustrating how *HYSY 981* extends China's exploratory range) take the view that for the near future CNOOC's deepwater drilling operations will remain in the Liwan Trough and other areas that lie unequivocally within China's EEZ. For Beijing, the diplomatic costs of drilling in disputed zones, such as the Spratlys, against the wishes of the other claimants would likely substantially exceed the additional oil or gas production gained. In Collins and Erickson's judgment, even a large new oil field producing 200,000 barrels per day or more in a disputed zone would not be worth drilling unilaterally if doing so catalyzed further development of anti-China regional security alignments.

This may be true for the moment, given that despite its provocative stance vis-à-vis the Philippines off the Scarborough Shoal, and despite the failure of the Association of Southeast Asian Nations to maintain a united front in the face of its brazen manipulation, China lacks the resources to defend the whole of its claim militarily.<sup>7</sup> That it is working to change this is indisputable.<sup>8</sup>

At the same time, China, through the agency of CNOOC, has for the first time invited tenders for oil and gas exploration blocks in disputed waters off Vietnam's coast.<sup>9</sup> These blocks overlap already proclaimed Vietnamese blocks. The consequent uncertainty means that in all likelihood there will be few takers for what is on offer, certainly among major oil companies with the necessary deepwater technology and expertise. Suggestions that this move reveals a lack of policy coordination between the Chinese foreign affairs ministry and CNOOC—with CNOOC acting on the assumption that China's right to everything within the nine-dash line is indisputable just at the moment the foreign ministry was adopting a somewhat more conciliatory tone—may or may not be true. Whichever interpretation proves correct, China is sending a signal to Vietnam and other Southeast Asian countries that it will proceed on its terms—terms that are reinforced by the declaration of a new prefecture covering the Parcel and Spratly Islands and by an increase in the size of the People's Liberation Army garrison on the tiny Woody (or Yongxing) Island.<sup>10</sup>

Fifth is the question of how this worldview and the concomitant view of oil rigs as strategic weapons could play out in more distant waters where China has similar natural-resource interests. Pertinent examples are the emerging oil and gas province off East Africa and the seabed mineral deposits in the southwestern Indian Ocean, for which the United Nations International Seabed Authority recently granted China an exploratory license.<sup>11</sup> It is unlikely that China will behave

as aggressively in these areas as it has in the South China Sea, but the grant of the mineral license has nonetheless provoked worries in India about an enlarged Chinese Indian Ocean naval presence. China's words and actions reveal that it continues to regard the sea as *territory*. Compare this to the Western view that has prevailed for the past three hundred years that the sea is space open to all and subject to only limited restrictions. China attempted to assert its view of the sea as territory during the 1982 UN Convention on the Law of the Sea negotiations but failed. Some states are nonetheless sympathetic to its position, and while none assert it as vigorously as China, they may well be tempted to follow China's lead if it crushes the objections of its neighbors and gains the level of control over the South China Sea to which it feels entitled. If China succeeds and its blue-water naval capability expands, it is likely that it will have the power to shift subtly in its favor the international rules governing the maritime domain.

Sixth, and finally, Chairman Wang's words do not square with CNOOC's statement in the *Wall Street Journal* that it is "respectful of the regulatory requirements across all the respective jurisdictions and that it aims to cooperate with all regulatory authorities." This is relevant to the United States, because CNOOC is attempting to buy a large Canadian energy company, Nexen, in a deal worth \$15.1 billion. At the time of writing, Canada had approved the takeover, although it has seemingly closed the door to similar future purchases.<sup>12</sup> Even so, the bid's ultimate outcome remains uncertain.<sup>13</sup> In part, this is because U.S. regulatory approval is required, in that Nexen has assets in the Gulf of Mexico; the decision of the interagency Committee on Foreign Investment in the United States is still pending.<sup>14</sup> While there are good commercial reasons to allow the purchase—the Chinese are arguably overpaying, a 60 percent premium over the pre-deal stock price—Nexen nevertheless does have deepwater extractive technology that could help CNOOC in the South China Sea and elsewhere and also allow CNOOC to maximize the return on its investment in *HYSY 981* more quickly.<sup>15</sup> Is this in the interest of the United States?<sup>16</sup> More particularly, how would approval, and the Obama administration's strange reluctance to challenge China's political posturing in maritime matters, help its Southeast Asian allies, who may sometime in the near future—depending on how negotiations, in which China is aiming to pick them off one by one, play out—see this rig and others like it parked in waters over which they previously had valid claims?

## NOTES

- This essay first appeared on the author's blog, [www.murphyonpirates.com](http://www.murphyonpirates.com), 5 September 2012. It has been amended and updated.
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  4. Jane Perlez, "China Asserts Sea Claim with Politics and Ships," *New York Times*, 11 August 2012.
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