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Background Briefing:

South China Sea: Did China Threaten Force? Did Vietnam Withdraw from Block 136?

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Our analysts are struck by how little comment has been made on China's reported threat to use force against Vietnam and Vietnam's decision to withdraw the oil exploration vessel from Block 136 by those who track the South China Sea in details. We would appreciate your assessment.

Q1. Is it possible Bill Hayton is exaggerating what's happened? Do we know whether this is a temporary pause or full pullback, or whether it was Vietnam's decision or Repsol's, and so forth?

ANSWER: My sources say China called in Vietnam's Ambassador to Beijing and delivered a demarche. It is unclear whether it was a demand to stop drilling in contested waters or was an actual threat to use force. I have reservations about China's Foreign Ministry being so explicit about the use of force.

The Vietnamese Ambassador reported back to the Politburo and they met on or about 14 July to deliberate. They made the decision to ask Talisman-Vietnam, a unit of Repsol of Spain, to stop drilling and leave Block 136-03.

By all accounts, the decision was made by Vietnam's leaders. Whether the withdrawal of the oil-drilling vessel is permanent or temporary is not known with certainty. A complete cessation is unlikely; a pause is more likely. A pause gives Vietnam time to raise the matter bilaterally with China and to lobby other states for support. Vietnam also needs time to devise a strategy to respond and avoid, in the meantime, any confrontation that they would loose.

Q2. How how much of a game-changer should we treat these developments?

ANSWER: It would be an unprecedented and alarming escalation if China actually threatened to use physical force against a Vietnamese-occupied featured in the Vanguard Bank area or in the Spratly islands. Vietnam has fifteen technical service support platforms built on stilts in the Vanguard area. These cannot be defended and China could easily take one or more and destroy the structures.

There is a pattern of increased Chinese bellicosity across the board from challenging U.S. military flights in the region to conducting joint naval exercises with Russia in the Baltic Sea and sending an intelligence collector to eavesdrop on Exercise Talisman Sabre underway between Australia and the United States.

China may be reacting to a number of trends that it perceives as threatening: U.S. arms sales to Taiwan, resumption of freedom of navigation patrols and over flights by the Trump Administration, continual U.S. criticism of China for not doing enough over North Korea, threats by the U.S. to impose tariffs on Chinese steel, and actual and potential resumption of oil exploration by Vietnam and the Philippines, respectively.

China may be gambling that President Trump will not respond in the South China Sea for three reasons: (1) the Trump Administration is mired in dealing with domestic issues (repealing and replacing Obamacare and dealing with allegations of Russian interference in the U.S. elections); (2) because Trump has set priority on defeating Islamic State in Syria and is encountering Russian pushback; and (3) because of the North Korean issue - ballistic missile test and a possible test of a nuclear device - and no clear means to halt these developments.

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