

THE PEOPLE BACK BEIJING

Ruling The government – and importantly, the Chinese public – reject a decision on disputed islands in favour of the Philippines, writes Lisa Murray.

He Xiaoliang is a 23-year-old electrician who lives with his parents in Shanghai. Every night, his family gather around the dinner table and argue about current affairs. But on Tuesday night they were in total agreement.

Earlier that evening, the Permanent Court of Arbitration in The Hague ruled China had no legal basis to claim the bulk of the South China Sea.

The decision was vehemently rejected by the Chinese government, which lashed out at all those in support of the ruling, including Australia's Foreign Minister, Julie Bishop. "We are firmly opposed to these remarks and have lodged solemn representations with the Australian side," a Foreign Ministry spokesman in Beijing said, referring to Ms Bishop's earlier comment that the ruling was "final and binding".

And Beijing had the full backing of He Xiaoliang and his parents. They are adamant the sea and its more than 250 islands, atolls and reefs belong to China.

"The arbitration was a complete joke," he says as he guides office workers away from a broken-down elevator.

"We all share the same opinion on this issue. The South China Sea is very important, militarily, strategically and because of its resources. The United States helped the Philippines rob China of its territory. I feel like our homeland has been invaded and China should stand up to defend our country." This is not an isolated view.

When He and his friends went to geography class at school, the map they studied of China's territory included the entire South China Sea, clearly marked out by the nine-dash line. They were told to learn by heart China's outer most edges and the southern tip was identified as Zengmu Reef, some 1800 kilometres below the mainland.

What the geography book didn't tell students was that James Shoal, as it is known in the West, is administered and also claimed by Malaysia, which sits 80 kilometres away.

Nor did it say that north of the shoal, still within the nine-dash line, is a group of islands known as the Spratly chain, the subject of an even more complicated dispute. They are claimed by China, the Philippines, Malaysia, Brunei, Vietnam and Taiwan.

Over the past few years, China has constructed seven man-made islands there, building ports, runways, housing and storage facilities on top of reefs. The extensive land reclamation and building program, along with China's increasingly aggressive law enforcement activities, triggered alarm across the region, prompting the Philippines to take its case to the International Tribunal on the Law of the Sea in 2013.

This week the court found overwhelmingly in Manila's favour. "It's a very significant

ruling," says Alan Dupont, chief executive of the Cognoscenti Group and a non-resident fellow at the Lowy Institute.

"The Philippines, in its most optimistic moment, would not have expected a decision so clear-cut."

In the lead-up to the ruling, some analysts had cautioned it would be a lengthy and complicated legal document and may not even refer to the nine-dash line. However, the tribunal could not have been clearer, stating there was "no legal basis for China to claim historic rights to resources within the sea areas falling within the 'nine-dash line'."

It found that "none of the Spratly Islands is capable of generating extended maritime zones," significantly limiting the territory Beijing can legally claim.

And it said China had violated the Philippines' sovereign rights by constructing artificial islands and interfering with its fishing and petroleum exploration.

On top of that, the court concluded its construction activities had caused "severe" environmental harm.

The case marked the first time China's controversial nine-dash line has been tested in an international court. Its verdict has changed the dynamics of a conflict that has

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emerged this year as one of the most serious global flashpoints, at the centre of the battle for influence between the US and China.

It has raised the spectre of a string of new legal cases against China by other countries, including Japan, over territorial disputes and it has sparked another low point in relations with Australia, as China's foreign ministry took issue with Canberra's support of the ruling.

Beijing is particularly sensitive to criticism from Australia, as it is viewed as an extension of US foreign policy. Chinese government officials have regularly urged Australia to be more independent.

Jian Zhang, a senior lecturer at the University of New South Wales in Canberra who specialises in China security issues, says the court's decision has created serious challenges for all countries in the region.

"It said categorically China's activities in the Spratly Islands and the Scarborough Shoal are illegal and that China's law enforcement activities in the region have no legal basis," he says.

"So if China continues these law enforcement activities, do other countries continue to avoid confrontation or do they take a stand? If they don't challenge China, it means they are not abiding by the ruling."

The strident rhetoric and sabre rattling coming from Beijing is hardly surprising, given territorial disputes are one of the few issues where the Communist Party's hard-line approach is in lock-step with broader public opinion.

On most other issues the gap is sizeable and getting larger.

This is particularly true when it comes to politics, which in China is entirely an elite pursuit. The general public have no ability to elect their officials and therefore largely ignore daily political news, which mostly consists of leaders meeting foreign dignitaries or making "inspection tours". Such a gulf between the Party and the public was easier to manage during the first two decades of China's economic opening up, as incomes were rising and people's lives improving.

Families which barely had enough to eat during the Cultural Revolution suddenly found themselves buying cars and taking overseas holiday.

But the easy gains from cheap labour, an undervalued currency and urbanisation have come to an end.

As figures released on Friday showed, China's economy matched its slowest quarterly pace of growth in seven years. While this was still a very healthy 6.7 per cent annual rate in the second quarter, the

slow down from the double-digit rates of the past has been rapid. And in its wake the country is battling high levels of inequality, runaway house prices in major cities and spiralling levels of corporate debt, mainly in the state-owned sector.

The weakening economy has eroded some of the Party's legitimacy, which under President Xi Jinping it has looked to claw-back through following a more muscular foreign policy.

Soon after coming to power in late 2012, the focus of Xi's aggression was Japan and disputed islands in the East China Sea.

In recent years his gaze has shifted to the South China Sea.

"The overwhelming view in China is that these are our islands," Dupont says. "It's very difficult for President Xi Jinping to step back from that position."

Following the ruling on Tuesday, China's response was a co-ordinated and stinging

rebuttal of the court process, in which it refused to take part other than sending a position paper at the end of 2014.

Xi said the country's territorial sovereignty and maritime interests would not be affected at all by the verdict.

China's Foreign Ministry, meanwhile, accused the judges of being swayed by other countries, suggested they had been paid for their service and also reserved the right to set up an air defence identification zone (ADIZ) over the South China Sea.

This provocative move would almost certainly prompt a response from the US, ratcheting up tensions and increasing the risk of military confrontation, miscommunication or accidents.

China has done this before, declaring an ADIZ over a group of islands both it and Japan claim in the East China Sea, in November 2013. However, Dupont says he thinks it's unlikely Beijing will opt to set one up over the South China Sea.

"To do that now would be waving a red flag to a bull. It would only reinforce the arguments being made by other claimants and the US that China is the aggressor. I think they will maintain the option to declare an ADIZ but that's very different from doing it.

"Over the medium to longer term, I think China is more likely to start thinking about a negotiated settlement," Dupont says.

"The next few weeks will be important in terms of how everyone behaves."

One of the key players, the Philippines' tough-talking new president Rodrigo Duterte, has so far been very quiet, leaving it to his foreign secretary to officially respond to the ruling.

On Thursday, he suggested China and the Philippines begin diplomatic talks on the matter, amid speculation he is open to bilateral negotiations over the dispute in return for an economic aid package and more investment.

The Chinese government is leaving that door open, making a clear distinction in its public criticism of the court case between former president Benigno Aquino's government, which brought it to the tribunal, and Duterte's new government, with which it is hoping to negotiate.

"If the Philippines were to change its position then that would be a face-saving way for China to defuse the issue," says the University of New South Wales' Jian Zhang.

However, Duterte is unpredictable. During the election campaign he did declare he would ride a jet ski to the Spratlys and plant a Filipino flag.

"This is a much bigger issue than the China-Philippines relationship," Dupont says. "It is about finding out the kind of China the world is going to be dealing with over the next 20 years." ■