

Communist China's territorial expansion being backed by U.S.

by an EIR investigator

The communist regime in Beijing in June achieved de facto support from the United States for an aggressive drive for territorial expansion, backed up by the full might of the rapidly growing Chinese military capability. In what was presented as simply another joint venture between the People's Republic of China (P.R.C.) and a private U.S. company, Beijing has effectively declared that it is prepared to act on its claim of sovereignty over the entirety of the strategically critical and oil-rich South China Sea, and to enforce that claim militarily. The regime also made clear through intelligence leaks that the United States, the only power capable of preventing such open aggression, will not object. In fact, it is obvious to most observers that the deal was worked out by the "China hands" in and around the Bush administration, run by associates of former Secretary of State Henry Kissinger.

A small, independent, privately held oil exploration company based in Denver, Colorado, Crestone Energy Corp., emerged from obscurity in May by signing an exploration contract with the P.R.C. covering over 25,000 square kilometers in the vicinity of the Spratly Islands, an area which is estimated to contain oil deposits worth several billion dollars. The area, called Wan'an Bei, is also claimed by Vietnam, and contiguous areas are claimed by Malaysia, Indonesia, the Philippines, Taiwan, and Brunei. China claims virtually the entire area except a thin strip along the coastlines, despite the fact that the area extends over a thousand miles from any territory occupied by the Chinese (see map).

All the claimants had agreed over the past two years to settle the sovereignty dispute peacefully, while attempting to find methods to develop the area's resources jointly while the claims remained unsettled. Then, in February, Beijing sent shudders throughout East Asia with a unilateral declaration of a law mandating that the entire South China Sea was Chinese territory, and that all shipping through the area must be reported to Beijing, with approval required for military transshipment. In addition to protests from the Southeast Asian nations, Japan also expressed deep concern, both because the South China Sea is a primary sea lane for the island

nation, and because China also claimed sovereignty over some islands in the north claimed by Japan. China insisted at the time that the declaration was merely a formal matter which would not mean any change in policy.

U.S. embassy approval

However, the deal with Crestone, signed on May 8 in a ceremony in Beijing with representatives of most major departments of the Chinese government, was taken with utter disregard for the other nations in the area, and with no prior notification. It is the first such commercial deal in the contested region. A representative of the U.S. embassy in Beijing personally attended the signing ceremony. The statement of U.S. State Department spokesman Margaret Tutwiler that this did not represent U.S. support for Chinese claims over the area, does not alter the obvious fact that the U.S. supported the deal, or at least did not object.

"Crestone is a private corporation and the United States government takes no position on the contract itself," Tutwiler said at the June 20 State Department press briefing, at the same time acknowledging that the U.S. embassy in Beijing attended the ceremony. It is well known that U.S. operations are often run under the cover of mysteriously funded private companies which are not required to file public reports. A Pentagon spokesman expressed wonder that any company would want to get involved in such a precarious operation, and admitted that he had been unable to learn anything significant about Crestone itself.

Crestone chairman Randall C. Thompson told the *New York Times* on June 18: "I was assured by top Chinese officials that they will protect me with their full naval might . . . that they'll have the entire naval fleet out there backing me up, if necessary."

Over the past four years, as part of the Deng Xiaoping "reform" so widely praised by the Anglo-American establishment, there has been a massive Chinese military buildup, with much of it centered on the Navy. The International Institute of Strategic Studies of London lists China as having 44 submarines, 19 destroyers, 37 frigates, and 869 patrol and

coastal combat vessels. A new fleet of Soviet-made SU-27 fighters has been ordered. It has been widely reported that China has recently obtained from Israel the technological capacity to refuel its aircraft in flight, which gives Beijing unquestioned air superiority over the entire area. The purchase of an aircraft carrier from Ukraine is also reported to be in the works.

Thompson took credit for having made the proposal to the Chinese government in February to formally pass the law detailing their claim to the South China Sea, for the purpose of laying the legal basis for the emerging oil exploration deal. He also claims that his success in closing this deal was solely the result of his personal drive and tenacity, totally independent of any government or large corporate involvement. Crestone's other overseas operations, in the Philippines, Belize, and Peru, are similarly cloaked in secrecy, although there was reportedly some collaboration with Armand Hammer's Occidental Petroleum and British Petroleum.

Business in China, however, is notoriously run on the basis of connections. Kissinger, who is at the center of China's relations with the United States, was also in Beijing in February, although he has made no public statements on the issue of sovereignty over the South China Sea. His consulting firm Kissinger Associates, Inc., and his investment firm China Ventures, Inc., would be in a position to broker billions of dollars in oil operations if the Chinese seizure of the area is secured.

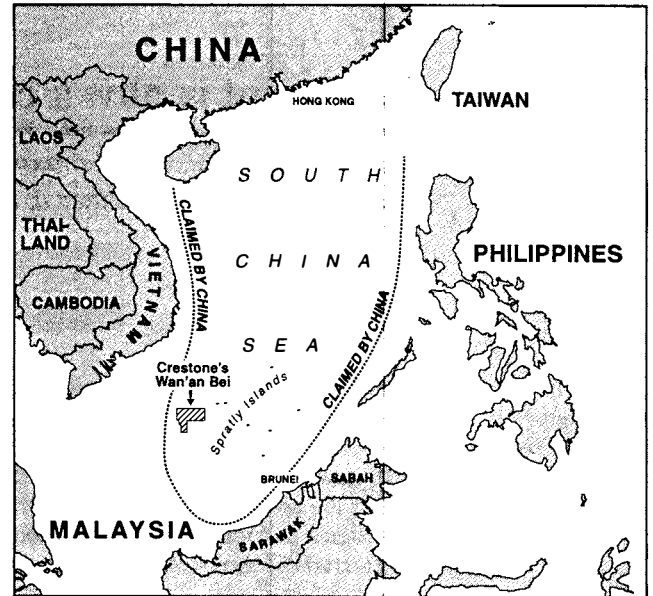
Beijing's view

Sources close to the Beijing government are reporting the deal as a "coup" for Beijing. Said one source: "The United States now has a stake in the area. This paves the way for the Chinese takeover of the entire area. No one in the area can fight the Chinese now—only the United States could have prevented this. The Vietnamese military has collapsed since the Soviets cut them off, and the Philippine military is decrepit. Malaysia has a sophisticated air force, but they don't have a claim to this particular area."

The area offered to Crestone in the agreement is carefully structured to cut just outside the border of the areas claimed by Malaysia and Indonesia, clearly intending to keep these two nations out of the current protest against the deal. However, both nations have extensive areas along their coasts which are claimed by the Chinese, and they are certainly aware of the ominous implications of U.S. support for such an aggressive policy in Beijing.

Vietnam has issued several strongly worded statements on the deal, calling it a "threat to destabilize the region." However, the Vietnamese are attempting to negotiate an end to the longstanding U.S. boycott of their nation. Thus, the U.S. involvement in the deal prevents them from taking any strong measures without jeopardizing that delicate relationship.

China's oil-grab in the South China Sea



Two Sino-Vietnam wars

In 1988, there was a confrontation between the Chinese and the Vietnamese navies in the area of the Spratly Islands. Several Vietnamese ships were sunk at that time, but they have maintained their occupation of several of the smaller islands in the area.

The 1974 land war between China and Vietnam was partially sparked by Vietnamese offers of oil exploration contracts in the contested areas. This was the time of the President Richard Nixon-Kissinger "China card" diplomacy. Since then, the United States has discouraged private companies from accepting exploration contracts from other nations in the contested areas, in deference to the Chinese. Now that China has achieved military superiority in the area, the United States has taken the next step of supporting the Chinese aggression.

This development must be viewed in the context of the recent destabilization of Thailand by U.S. government agencies (see *EIR*, June 12, "U.S. AID Runs Overthrow of Thailand's Government"). The primary target of the destabilization was the Thai military, which has been considerably weakened.

The Thai military was the last significant force in the area capable of resisting potential Chinese aggression. In the aftermath of the Thai operation, not only has China moved to seize the South China Sea, but the Chinese-backed Khmer Rouge in Cambodia have reneged on the peace plan which they had agreed to in that war-ravaged nation, and launched new military offensives.