Critical Security and Economic Dilemmas for Southeast Asia in the South China Sea: A Philippine Perspective

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**The South China Sea in the Broader Maritime Security of the Indo-Pacific**

Maritime issues have emerged as one of the most important security issues in the Indo-Pacific, driving major powers to strategically adjust their policies towards the region. During the past decade, maritime disputes have escalated to the point where the regional order is being affected and the risk of subsequent armed conflict cannot be entirely ruled out.

The South China Sea (SCS) is at the centre of maritime disputes in the Indo-Pacific region. Many states have significant maritime security interests in the SCS including, *inter alia*, freedom of navigation and overflight, peace and security in the region, and respect for international laws and norms. While governmental talks have not yet brought about significant progress to solve the disputes, Track II dialogues such as this have the potential to provide open and frank analysis and discussions leading to recommendations that can more effectively manage the situation.

With these considerations in mind, UNSW Canberra at the Australian Defence Force Academy (ADFA), the Diplomatic Academy of Vietnam (DAV), and the Japan Institute for International Affairs (JIIA) hosted a conference and two associated workshops, termed 'The South China Sea in the broader maritime security of the Indo-Pacific', from 28 to 30 September 2016 in Canberra at the Australian Defence Force Academy. This special December 2017 edition of NASSP Issue Briefs are a result of the conference, workshops, and institutional partnership.

**The Diplomatic Academy of Vietnam (DAV)**

The Diplomatic Academy of Vietnam is an educational and research institution affiliated to the Ministry of Foreign Affairs of Viet Nam. It was established in 1959 and focuses on conducting strategic research in international affairs and foreign policies; teaching students and post-graduates in the areas of international relations, law, economics, journalism and foreign languages; and training mid-career professionals from central and local government agencies on international affairs and diplomatic skills.

**The Japan Institute of International Affairs (JIIA)**

The Japan Institute of International Affairs (JIIA), founded in 1959, is a private, nonpartisan policy think-tank focused on foreign affairs and security issues. In addition to a wide range of research projects, the institute promotes dialogues and joint studies with other institutions and experts at home and abroad, examines Japanese foreign policy and makes proposals to the government, and disseminates information on international relations to the public. The institute, together with a large network of affiliated scholars, aims to serve as an indispensable resource on international affairs in a complex world.

**National Asian Security Studies Program (NASSP)**

UNSW Canberra at the Australian Defence Force Academy

The new National Asian Security Studies Program builds on the Executive Education Program developed in 2014. Aside from conferences, workshops and publications to enhance the policy community’s understanding of the Indo-Pacific, the Program is specifically designed to develop leading scholar-practitioners. Through the Program, graduates will be better networked with regional and global partners who will have strengthened their capacity to formulate best practice policy responses to contemporary security challenges.
Critical Security and Economic Dilemmas for Southeast Asia in the South China Sea: A Philippine Perspective

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Regional context
The South China Sea (SCS) has become a theatre for US–China geostrategic, geoeconomic and geopolitical competition. What was a territorial and maritime dispute between six claimants has evolved into a contest for control over and access to a strategic waterway, further complicating efforts to resolve the dispute and narrowing the autonomy of the Association of Southeast Asian Nations (ASEAN). China is increasingly becoming an important, if not indispensable, economic force in Southeast Asia (SEA), a significant trade partner, investor and aid donor. At the same time the United States (US) maintains a regional network of security alliances and partnerships that have received fresh impetus with the recent Rebalance to the Asia-Pacific. Recent US initiatives, such as the Trans-Pacific Partnership (TPP) and enhancement of US–SEA commercial and people-to-people connections, can also be seen as constituting a counterweight to China’s increasing economic influence in the region, especially in light of the Belt and Road Initiative (BRI).

The SCS disputes continue to divide SEA and undermine ASEAN centrality. Divisions run between claimants and non-claimants, with some of the latter suggesting that this matter should be dealt with by individual claimants directly with China, instead of using ASEAN as a platform. But even among claimants, there seems to be no agreement as to what is the best approach to managing, if not resolving, these disputes. Some claimants are less vocal and less critical of China, and economic considerations play into this. Even joint statements that refer to the disputes in the SCS are difficult to agree between states. The ASEAN Way of consensus-based decision-making enables veto by one member to a proposed statement agreed upon by several. While it can be argued that some ASEAN states exercise such veto due to external pressure, it can also be said that self-interest also acts as a strong incentive to block initiatives that may offend or harm the interests of crucial economic and political partners. Some point to the need to address this structural flaw by instituting reforms in ASEAN policymaking, while others suggest minilateralism between and among ASEAN claimants. China’s increasing economic clout and the US’ growing military presence may further exacerbate such division within ASEAN.

With a rising and increasingly assertive PRC on the one hand, and US indecisiveness and weakness, perceived or otherwise, on the other, both claimant and non-claimant ASEAN states may become increasingly accommodating of Chinese overtures, even if unwillingly. In relation to SCS, an emerging rift between mainland and insular SEA states is becoming apparent, with mainland non-claimants showing less solidarity with the legitimate interests of fellow ASEAN claimant states, if not greater deference and respect to China’s
position. China also seems to adopt a different tack for various SCS states, displaying increased assertiveness towards Vietnam and the Philippines, but exercising more caution in dealings with Malaysia, Brunei, and Indonesia. But increasing Chinese presence – navy, maritime law enforcement, and civilian fishing – contributes to a shared security discomfort. The scale, speed and nature of Chinese artificial island building in SCS and the fact that this proceeded while arbitration proceedings were taking place creates irreversible changes to the environment, violates the ASEAN–China Declaration of the Conduct of Parties in SCS (DOC), and undermines international legal process. So far, China’s occupied features – including its newly built artificial islands with dual-use facilities – are clustered in the northern and middle SCS, but their power projection potential is already raising concern from littoral states and beyond. Further artificial island building in southern SCS may provoke reconsideration among southern SCS states of their claims and foreign policy positions. Whether this would crystallise into a firmer ASEAN or at least a consolidated ASEAN claimants’ stance on the issue remains to be seen.

**Philippine Perspective**

The Philippine (PH) position on SCS can be marked by shifts which can be attributed to both internal (e.g., leadership change, nationalism, legal/political constraints) and external (e.g., China–US competition, ASEAN cohesiveness, US resolve, economic engagement with China) factors. The new Philippine administration, which wields enormous political capital, seems more inward-looking but realises the need to engage external actors to support domestic agenda e.g., its war against drugs, ensuring the livelihoods of artisanal fishermen, and infrastructure development. It also appears to be more pragmatic in its increased attempts to balance its relations with both of the major powers, the US and China. It promises to keep most of the country’s prior international commitments, but demonstrates willingness to review those which are perceived to affect the country’s interests adversely (e.g., PH carbon emissions reduction commitments made during the Paris climate change).

Compared to the previous administration, PH–US relations under Duterte may experience some swings. This is despite PH’s obvious need for an external defense partner in light of China’s recent actions in SCS. This can be attributed to several reasons. First, on several occasions President Duterte questioned US resolve to come to the aid of the Philippines in the event of conflict over the West Philippine Sea (WPS); the ambiguous US response only reinforced perceived American unreliability. Second is that President Obama is already finishing his term and US presidential candidates are still debating how best to proceed with the Rebalance (e.g., Mr. Trump argues that US allies should take more responsibility in holding regional peace). Third is the difficulty of enforcing the arbitration decision given China’s non-participation and refusal to adhere to the ruling, and the lack of strong international backing to pressure China to comply, thus moderating Philippine behaviour post-award. Fourth, because of its increasing economic and political influence, China seems to be gaining ground in its regional competition with the US and this may have influenced recalibration on Duterte’s part. Finally, potential US criticism of Duterte’s approach in his campaign against prohibited drugs, a cause which he has strongly identified with, may contribute to uneasy PH–US ties. Although the US gave support to Duterte’s anti-drug war, US and international human rights groups may pressure Washington to encourage its treaty ally to rein-in the campaign’s excesses, which may lead to misunderstanding if not handled diplomatically.
On the other hand, PH interest in engaging China arises from practical economic and domestic security considerations. The Duterte government seems focused on easing tensions and exploring functional cooperation in the wake of the arbitration award, as can be seen in the Ramos visit to Hong Kong and reports of a possible state visit by President Duterte to China before the year ends. This could stem from a realisation that China can be a partner for addressing domestic challenges such as narcotics trafficking and manufacture, and other forms of organised crime, infrastructure gaps, and fishing claims. On several occasions President Duterte has pointed to the China connection of local drug personalities and groups, with some Chinese nationals and organisations acting as financiers, suppliers of raw materials and/or direct suppliers of illicit drugs, demonstrating the imperative to work with Chinese counterparts. Furthermore, President Duterte, even early on the campaign, expressed openness towards some form of joint resource development in WPS. He also mentioned his interest in engaging China for infrastructure cooperation. These openings present opportunities on which China can capitalise. Cooperation in less sensitive areas, such as infrastructure and law enforcement, is very promising and, if it can deliver favourable results, has the potential of engendering mutual trust and confidence between both sides. However, joint resource development may encounter legal, political and social constraints, although there is sufficient existing international practice to guide such enterprise. That the arbitration award identified Bajo de Masinloc (Scarborough Shoal) as a traditional fishing ground for Filipinos and Chinese fishermen may also provide a good reason for joint fishing agreements in the area.

China appears to have taken note of these openings and taken steps in this direction. This includes laying the groundwork for a drug rehabilitation centre in northern Luzon. Interestingly, the drug rehab centers will be located inside military camps, including in Fort Magsaysay, the most extensive Philippine Army camp, which is also among the agreed locations for the PH-US Enhanced Defense Cooperation Agreement (EDCA). China also offered to build the Manila–Clark railway in two years, a proposal President Duterte asked Filipino businessmen to match in funding and resources. Aside from easing traffic congestion, mass-transit systems will have an enormous transformative impact, facilitating faster and more efficient transport of people and goods within and to and from the cities. This will offer Duterte a healthy legacy. China also expressed its willingness to support Philippine efforts to curb prohibited drugs through joint training and information sharing, as well as offering provision of law enforcement equipment. Most importantly, the resumption of fishing by Filipino fishermen from Zambales in Bajo de Masinloc has been a welcome development.

However, despite its promising potentials, PH–PRC cooperation on several fronts is not without its challenges. In regard to infrastructure, the legacy of corruption and irregularities that marred botched China-backed projects in the past (e.g., Northrail and NBN) will make future China-supported projects subject to serious scrutiny. Failure by Chinese authorities to rein-in their nationals involved in drug trafficking and money laundering in the Philippines will heighten negative Filipino public opinion against China. Finally, any functional cooperation on WPS should not infringe on sovereignty and should not be taken as a quid-pro-quo for PH claims and policy regarding the area. PH’s sharing of surveillance photos of substantial numbers of Chinese vessels congregating in Scarborough Shoal suggests continuing serious concern over potential reclamation and artificial island construction in this feature.
Pressing needs to address domestic issues – notably organised crime, terrorism (e.g., the Abu Sayyaf Group), pursuing peace talks with rebels, easing traffic congestion, among others – prompts the Duterte Administration to be inward-looking. But the Philippine nation requires a stable external environment so that it can focus its resources on addressing these domestic issues. In addition, some of these challenges involve transnational linkages requiring foreign assistance.

SCS has constituted the gravest external security threat for the Philippines since the end of the Cold War, and recent developments only serve to heighten tensions. The twin approaches of diplomatically managing disputes and economic pragmatism seems to drive PH policy on SCS and in relation to China. PH–PRC relations are able to weather the post-Award period, but it is still very premature to determine where bilateral relations are headed. There is a mutual effort to reduce tensions, with PH deciding not to taunt PRC with its overwhelming legal victory, sending an icebreaker delegation headed by a former President and indicating a state visit before the year ends – these are actions which are appreciated by China, and reciprocated by pledges of support for PH infrastructure projects, an anti-illegal drug campaign, and resumption of Filipino fishing in Bajo de Masinloc.

Nevertheless, PH’s SCS policy will remain contingent on a host of domestic and international factors. The country’s relations with the US and China are broad and comprehensive, and it is incumbent on the country to continue cultivating these mutually beneficial ties. Sustained security engagement with the US remains an important cushion against potential threats from China, but this does not answer the urgent need to develop the country’s own minimum credible defense capacity, which will form a crucial cornerstone for an independent foreign policy. The US remains a major investor and market for PH goods, and millions of Filipino-Americans sustain strong individual, familial, and organisational ties. At the same time, while China’s rise ushers in challenges, it also presents enormous opportunities for PH and other countries in the region. China’s surplus reserves and production capacity can have a tremendous impact on Philippine manufacturing and infrastructure. The fact that other SCS claimants were able to obtain economic advantages from dealing with China without sacrificing their maritime and territorial claims suggests that sovereignty and political disputes can be managed to the extent that they will not unduly affect economics. WPS is economically more important for the PH than it is to the PRC. The country’s biggest natural gas field and its promising offshore energy fields are all located in the WPS, not to mention rich fisheries. In contrast, China, with its increased energy supply and transport connectivity with SEA, Russia and Central Asia, appears to attach greater security importance to its near seas (e.g., SCS, East China Sea). While details are lacking, this interpretation and approach provides an opening whereby PH can harness the sea’s resources without harming China’s security interests.