

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

South China is economically more important for the Philippines than it is to China. Aside from rich fisheries, the country's biggest natural gas field and its promising offshore energy fields are all located in the South China Sea.

## 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 on between states. ASEAN's consensus-based decision making enables veto by one member of a proposed statement agreed upon by several. Self-interest acts as a strong incentive to block initiatives that may offend or harm one's interests, including one's relations with crucial economic and political partners. There have long been proposals to amend ASEAN's consensus approach, which may have become a structural problem on the road to greater integration. Meanwhile, with respect to the South China Sea, others suggest resorting to a unilateralist process involving only the ASEAN claimants.

With a rising and increasingly assertive PRC on the one hand, and uncertainty over US commitment revealed by recent indecisiveness on the other, both claimant and non-claimant ASEAN states may become increasingly accommodating of Chinese overtures, even if unwillingly, and show greater deference and respect to China's position on the South China Sea. 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 parties in the south Malaysia, Brunei, and Indonesia. But increasing Chinese presence – navy,

maritime law enforcement, and civilian fishing – contributes to a shared security discomfort among these countries. 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 both the security and the natural environment, violates the ASEAN–China Declaration of the Conduct of Parties in SCS (DOC), and undermines international legal processes. So far, China’s occupied features – including its newly built artificial islands with dual-use facilities – are clustered in the northern and middle of the Spratlys but their power projection potential is already raising concern from littoral states and beyond. Further artificial island building southward may provoke reconsideration among Brunei, Malaysia and Indonesia of their 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.

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