

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

Aileen SP Baviera & Lucio B. Pitlo III

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 minilateralist 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.

Philippine Perspective

The Philippine (PH) position on SCS has been marked by shifts which can be attributed to both internal factors (e.g., leadership change, nationalism, legal/political constraints) and external factors (e.g., China–US competition, ASEAN cohesiveness, US resolve, economic engagement with China). The new Duterte administration, which wields enormous political capital domestically, seems more inward-looking but realises the need to engage external actors to support its domestic agenda e.g., its war against drugs, better public service delivery, 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 change¹](#)).

Compared with the previous administration, PH–US relations under Duterte may experience some swings, 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 at the end of 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 keeping 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 be leading to

¹ Ed King (2016) "Philippines won't honour UN climate deal, says president," *The Guardian*, July 19, 2016. Retrieved from <https://www.theguardian.com/environment/2016/jul/19/philippines-wont-honour-un-paris-climate-deal-president-duterte>

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 has declared support for 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 his special envoy Fidel V. Ramos's visit to Hong Kong and a forthcoming state visit by the president to China this October. This stems from a realisation that China can be a partner for addressing domestic challenges such as infrastructure gaps, narcotics manufacture and trafficking, and other forms of organised crime. On several occasions President Duterte has referred to the China connection of local drug personalities and groups, with some Chinese nationals and organisations acting as financiers, suppliers of raw materials and illicit drugs, thus demonstrating the imperative to work with Chinese counterparts. Furthermore, President Duterte, even on the presidential campaign trail, expressed openness towards some form of joint resource development in WPS. 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. On the other hand, joint resource development on fisheries or oil and gas in the WPS may encounter legal and political 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](#)², 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](#)³, 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 in the archipelago. These can provide Duterte a good legacy. China also expressed its willingness to [support Philippine](#)

² Nilles, Giovanni (2016) "China helps build drug rehab center," *Philippine Star*, September 2, 2016. Retrieved from <http://www.philstar.com/headlines/2016/09/02/1619678/china-helps-build-drug-rehab-center>

³ Ranada, Pia (2016) "Duterte: China offering to build Manila-Clark railway in 2 years," *Rappler*, June 21, 2016. Retrieved from <http://www.rappler.com/nation/137177-duterte-china-build-manila-clark-railway>

[efforts to curb prohibited drugs](#)⁴ through joint training and information sharing, as well as offering provision of law enforcement equipment. Most importantly, the [resumption of fishing](#)⁵ by Filipino fishermen from Zambales in Bajo de Masinloc was a welcome development.

Despite its potentials, PH-PRC cooperation on several fronts is, however, 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 relaxing PH claims and policy. PH's sharing of [surveillance photos](#)⁶ of substantial numbers of Chinese vessels congregating in Scarborough Shoal during the recent ASEAN meetings suggests continuing serious concern over potential reclamation and artificial island construction in this feature.

Domestic issues – notably organised crime, terrorism (e.g., the Abu Sayyaf Group), peace talks with rebels, traffic congestion, among others – prompt the Duterte Administration to be inward-looking. But the 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 cooperation.

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 while taking a pragmatic economic strategy seem to drive PH policy on SCS and in relation to China. PH-PRC relations have been able to weather the immediate post-arbitration award period, but it is still 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 legal victory, sending an icebreaker mission headed by a former president and scheduling on an early state visit to Beijing. These actions have been appreciated by China, and reciprocated by pledges of support for PH infrastructure projects, the 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

⁴ Gomez, Jim (2016) "China seeks info on Chinese drug suspects in Philippines," *The Washington Post*, August 24, 2016. Retrieved from https://www.washingtonpost.com/world/asia_pacific/china-seeks-info-on-chinese-drug-suspects-in-philippines/2016/08/24/3399bc84-69eb-11e6-91cb-ecb5418830e9_story.html

⁵ "Zambales fisherfolk welcome news they can now fish in Panatag Shoal," *GMA News Online*, September 2, 2016. Retrieved from <http://www.gmanetwork.com/news/story/579860/news/regions/zambales-fisherfolk-welcome-news-they-can-now-fish-in-panatag-shoal>

⁶ Marasigan, Fernan & Valente, Catherine. (2016) "PH releases 'evidence' of Chinese activity at Panatag," September 8, 2016. Retrieved from <http://www.manilatimes.net/ph-releases-evidence-of-chinese-activity-at-panatag/284626/>

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 an extent where they do not close the door on economic opportunities. WPS is economically more important for the PH than it is to the PRC. Aside from rich fisheries, the country's biggest natural gas field and its promising offshore energy fields are all located in the WPS. In contrast, China, with its increased energy supply and transport connectivity with SEA, Russia and Central Asia, appears to value its near seas (e.g., SCS, East China Sea) for their security importance. Therefore, while the devil will be in the details, there may be room for the two countries to promote their respective core interests without harming the other state's interest.