

Joint Development Possibilities in the South China Sea: a Vietnamese Perspective

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Southeast Asian countries have refused to accept China's proposal to set aside disputes and pursue joint development since 2009. Why? This paper argues that China is becoming too powerful and has increasingly possessed more hard power such as economic and military capability. It, however, has not agreed to limit its power by institutional frameworks. Southeast Asian countries have little sympathy for China's cooperative projects given the lack of "constitutional order".

IN THE RECENT years, the South China Sea (SCS) disputes have become one of the "flashpoints" in East Asia. To solve the SCS issue, claimants have promoted a number of policies to enhance security and cooperation in the SCS. One of the

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policies which attracted the concerns of Southeast Asian (SEA) countries is “setting aside disputes and pursuing joint development”. The origin of this concept can be traced back to the Deng Xiaoping period. On 11 May 1979, the concept was publicly stated by Deng in relation to China’s dispute with Japan over the Diaoyu/Senkaku Islands. As China’s role began to grow in the SEA, this initiative is a part of China’s incessant quest for a leadership role to settle regional disputes in a peaceful way.

However, despite China’s efforts in establishing new cooperative initiatives in the SCS, the attempts have generally hit a brick wall. In 2005, the Philippine National Oil Company (PNOC), China National Offshore Oil Corporation (CNOOC) and Vietnam Oil and Gas Corporation (Petro Vietnam) signed a tripartite agreement on a Joint Marine Seismic Undertaking (JMSU) to jointly acquire geoscientific data and assess petroleum resource potential of certain areas in the SCS. Under the tripartite agreement, the three countries agreed to temporarily set aside their territorial disputes over the Spratlys and pursue development in order to transform the SCS into an area of peace, stability, prosperity and cooperation. In 2008, the JMSU expired and was not extended. Since 2009, China has repeatedly brought up the topic of joint development in the SCS. Although SEA countries including the Philippines and Vietnam did not officially reject the possibility for a joint development, they showed little sympathy for China’s viewpoints. Why have they not accepted China’s proposal to set aside disputes and pursue joint development since 2009?

China’s Cooperative Initiatives in the South China Sea

Since 2009, claimants have raised concerns with respect to rising geopolitical and military tensions in the SCS. China proposed a more comprehensive approach to the SCS issue. At the international conference in 2009, Dr Ji Guoxing, former head of the Asia-Pacific Department at the Institute for International Strategic Studies, repeatedly emphasised Chinese guidelines of “setting aside disputes and pursuing joint development”. Dr Ji suggested that claimants pursue the overall framework for exploiting resources in the SCS. Along with the proposal, he also stressed on the possibility of jointly developing the Vanguard Bank (of the Spratly Islands) between China and Vietnam. Although he admitted that it is not a permanent solution to the problem, he considered “setting aside disputes and pursuing joint development” as “a practical, realistic, wise and feasible approach” at that time.

The proposed “setting aside disputes and pursuing joint development” was also suggested by Chinese leaders in formal meetings. Speaking at a press conference held in Hanoi to commemorate Vietnam-China relationship in 2010, the Chinese Ambassador to Vietnam Sun Guoxiang stated that “China’s senior leaders have taken the initiatives to solve the SCS issue, especially in setting aside disputes and pursuing joint development”. The objective is for both parties to ignore disputes and jointly conduct activities for social and economic development in areas of

mutual interests. In an interview with the *Philippine Daily Inquirer* editorial team in December 2012, the Chinese Ambassador to the Philippines Ma Keqing suggested that “joint cooperation” would be the best way to solve sovereignty disputes.

Although China has frequently raised the topic of joint development in the SCS, SEA countries including the Philippines and Vietnam registered cautious responses to the Chinese proposal. On the JMSU between the Philippines, China and Vietnam, President Benigno Aquino III stated that “we will not inflame tension in the Spratly Islands Group or the Kalayaan Island Group. We will always work to achieve diplomatic solutions to all these contending claims on the Kalayaan Group of Islands”. Affirming the Philippines’ peaceful and sincere approach towards the SCS issue, he stated that the JMSU “should not have happened”, saying it encroached on the country’s territorial waters. Most recently, at a bilateral meeting with Vietnamese partners, Philippine Foreign Minister Del Rosario even confirmed that the Philippines would not accept joint projects with China such as oil exploration if Beijing keeps affirming its sovereignty over all waters of the SCS.

Taking China’s proposal for joint resource development in disputed waters into consideration, Vietnam has shown neither official opposition nor explicit support. Luong Thanh Nghi, spokesperson of the Vietnam’s Foreign Ministry, stated that “Vietnam is not opposed to the idea of developing resources in disputed waters with neighbouring countries but such cooperation has to be carried out in accordance with the United Nations Convention on the Law of the Sea that was adopted in 1982”. However, Nghi stressed that Vietnam would not cooperate with China in areas claimed by Vietnam. Along with a clear message to China, Vietnam further called for an active partnership with India, China’s rival, which could be interpreted as an objection to the Chinese suggestion of cooperation. On 12 October 2011, Vietnam and India signed six agreements including those on joint resource development during the visit of Vietnamese President Truong Tan Sang to India.

The Logic of Self-restraint and its Implications

Why has China’s proposal to SEA countries been rejected since 2009? The answer could lie in the lack of a “constitutional order” which can make a hegemony power more predictable and friendly. Although SEA countries such as Vietnam,

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Malaysia and the Philippines agree that joint development may be a solution, their eventual approach reflected by public opinions and academics demonstrates that the Chinese proposal hides its intention of enhancing its *de jure* access to “disputed areas” while it maintains its *de facto* control of the area given its capacity to do so. This scepticism is attributed to the fact that China is becoming too powerful and increasingly acquiring more hard power such as economic

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and military capability, and has not agreed to limit its power by institutional frameworks. A hegemon can use its strength to accomplish its goals, but this could also be a double-edged sword in international politics. States can at times get what they want by coercion. Yet the power asymmetry between two or more states might arouse resentment and an unwillingness of the weaker states to accept the position of the stronger state.

This unwillingness might be interpreted as a fear of the potential domination of the stronger state. Thus, to gain the confidence of the weaker states, the stronger states have to rein in their power. Binding itself to institutions or legal agreements does not mean a reduction of the hegemon’s power, but would be useful in reducing the threat that the hegemon poses (and therefore more acceptable) to other states. Weaker states will be more willing to participate in the hegemon’s projects (acknowledging the risk of forsaking some autonomy in decision making) in exchange for the credibility and institutional control of the hegemon. The underlying logic is that “the more a powerful state is capable of dominating or abandoning weaker states, the more the weaker states will care about constraints on the leading state’s policy autonomy”. The joint development

projects in the SCS promoted by China in the two periods of 2002-2005 and 2009-2012 can be explained by this logic.

Since the late 1990s, China has changed its strategy towards the SCS issue. Instead of resorting to military power domination, China has sought to settle disputes by advocating institutions and initiating dialogues with relevant states. The act of (self) restraint is evident in the multilateral relationship between China and ASEAN which was underscored by the Conduct of Parties in the South China Sea (DOC) signed at the end of the Sixth China-ASEAN Summit (10+1) 2002 in

Phnom Penh, Cambodia. It was the first time that China had agreed to join ASEAN in signing a multilateral document which offered “a new security concept with mutual trust, mutual benefit, quality and coordination at its core”. Hence, though the terms are not legally binding as in the law, DOC can be regarded as a way for rising powers like China to practise self-restraint. By signing the DOC, China agreed partly to limit its power which would allow “weak and secondary states [...] to become more, rather than less, entangled with such a potential hegemony”. In 2003, China became the first outside actor in the region to become a signatory to the ASEAN Treaty of Amity and Cooperation (TAC), which included an “essential” clause that stipulated mutual respect for the sovereignty and equality of ASEAN countries, non-interference in the internal affairs of one another or settlement of differences or disputes by peaceful means.

Thanks to the features of DOC and TAC, which contained provisions of “mutual restraint in the conduct of activities” and “cooperative activities”, weaker states such as Vietnam or the Philippines felt less intimidated by the military force of their stronger neighbour. It has been argued—in the case of Vietnam for example—that Vietnam chose a rapprochement approach to the Chinese proposal for the reason that China, through the DOC (and the Code of Conduct in the South China Sea (COC) in the near future), would be obliged to be restrained. In this context, China was able to play a de facto leadership role in managing conflicts in the SCS because it has persuaded the lesser states to believe in its will and ability to foster regional stability and peace. The DOC is also regarded as a legal basis for third parties to JSMU, which allows them to change their multilateral stance towards Chinese cooperation proposals. The JMSU in 2004-2005 satisfied the Philippines since the oil exploration agreement could be seen as a reasonable approach for the Filipino and Chinese governments. Energy DOE Secretary Vicente Perez believed that this would mark a new stage for both China and the Philippines and said that it (agreement) was “the first concrete manifestation of the ASEAN-China Declaration of Conduct for the South China Sea”.¹

Contrary to the peaceful approach towards the SCS issue since 2002, recent actions by the Chinese have depressed other claimants when it competed for sovereignty, jurisdiction and control of the SCS. Since 2007, China has increased its fleet of submarines and surface vessels and rapidly strengthened its naval power, including the construction of submarine bases and aircraft carriers, and bolstered its patrols and exercises in the sea area. To modernise its naval force, China has planned to base its Type 094 nuclear powered ballistic submarine in the Hainan Island, an indication that the Chinese navy is strengthening its patrol activities in the SCS. China also increased its patrols in the SCS in 2009 to protect its EEZ (exclusive economic zone), curb illegal fishing activities and “protect China’s interests and rights in the South China Sea”, reported *China Daily*.

¹ *The Philippine Star* (2004). “RP, China approve joint oil exploration in Spratlys”, 2 September 2014.

To protect and control resources, The People's Liberation Army Navy (PLAN) has pursued robust expansion and modernisation over the past decade, often in a non-transparent manner that raised the concerns of China's neighbours. Rate of collision between Vietnamese and Filipino civilian boats and Chinese surveillance vessels had notably increased in 2009. On 26 May 2011, two Chinese maritime surveillance vessels for oil and gas exploration were spotted in Vietnam's EEZ some 120 kilometres off the southern Vietnamese coast. Videos of a Chinese vessel breaking the cable attached to the Vietnamese vessel of "Binh Minh" were later released by the Vietnamese Foreign Ministry.

In another incident, on 2 March 2011, two Chinese patrol boats harassed an oil exploration ship in the Philippine claimed zone 250 kilometres west of Palawan. China also opposed the Zone of Peace, Freedom, Friendship and Cooperation (ZoPFF/C) proposed by the Philippines recently, a proposal which had the support

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of other ASEAN states. More importantly, despite attempts by ASEAN to foster COC negotiations, China still seems sceptical. In early 2012, China was reported to proactively propose the COC negotiations with ASEAN countries, offering a glimmer of hope in the SCS dispute. However, when the negotiations will be concluded and whether they meet ASEAN's proposed deadline have raised other concerns. The new Chinese Foreign Minister Wang Yi in his recent official visit to ASEAN countries has stated that ASEAN should have "realistic expectations" and take "a gradual approach" to arriving at a COC consensus.

The Chinese foreign policy approach since 2009 has given its neighbouring countries reason to fear that it is now merely affirming unilaterally its national interest. Many commentators believe that the world is witnessing the end of China's privileged place in diplomatic relations with its neighbouring countries and an escalation of the "disputes to conflicts". The foundation upon which China exercises leadership and shapes its security environment is weakening as other SEA states are not only unwilling to jointly invest in Chinese projects but also opted for counterbalancing in various degrees. This is most evident in the cases of Vietnam and the Philippines and more subtle in the cases of Malaysia and Indonesia when they maintain a modest level of defence and military cooperation with the United States, Russia and India.

The Next Phase

China has gained little friendship with SEA countries or achieve its goal of constructing a cooperative mechanism in the SCS since 2009 with its unwillingness to resolve territorial conflicts through multilateral rules and agreements. Instead,

China has begun to adopt a series of unilateral power policies which face widespread opposition from neighbouring states, as well as refused to bind itself to any institutions or legal agreements.

In the last two years, SEA countries have gradually viewed China as a selfish and potentially dangerous power. Balance-of-power and balance-of-threat theories predict that states will try to prevent the emergence of a rising power or check external security threats by extensively increasing its own material capabilities, or by allying and forging close strategic partnerships with extra-regional powers. If China continues to increase its capabilities without binding itself to legal and political frameworks in the SCS, a classic “security dilemma” will arise within the SEA region. The countries affected may choose to follow self-help principles of either depending on their own capabilities for security by increasing their military budget or seeking strategic cooperation to hedge against growing Chinese power. It could be an execration for China if all affected states in the region join the US-led alliance system to balance against a growing China. The two outcomes—absence of a leader regulating the conflicts and the “bandwagoning” of SEA states with external powers—are not favoured results, according to the Chinese view.

Without exercising self-restraint of power, China is unlikely to achieve acceptance of leadership by others. China’s economic dominance, by promoting regional cooperation in the SCS, did not transform into political leadership in terms of gaining the friendship of SEA countries. Indeed, improving the state’s capabilities in terms of “hard power”, along with bearing international responsibilities, is the principal challenge for China if it aims to become a hegemonic leader. The lack of a “constitutional order” could become a critical impediment to China’s efforts in managing territorial conflicts. Thus, the potential of China’s leadership performance in this issue is largely dependent on how China engages other claimants such as Vietnam, the Philippines and Malaysia in accepting the Chinese approach.

Dai Bingguo, China’s former state councillor, who published an article in the *People’s Daily* in December 2010, had his points when he stated that “if [China] cannot properly handle our relations with the outside world, the development opportunity in the 20 years of the new century provided by overall international peace, overall stability in the relations among major powers, and the rapid development of new science and technology will likely be lost”.

For China to become the founding country and a leader in international cooperation, it needs to establish a new order in which law and multilateral institutions, with their own set of stable expectations and constraints, are provided. At the same time, China must create a balance between its national interests and regional solidarity in its foreign policy in the SCS. Without the will, ability and right methods to build stability in the region, China is only a “leader in the making” as it will not be able to obtain the voluntary participation of other states. ■