



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**UNSETTLED DISPUTES IN THE SOUTH CHINA SEA:  
DETERMINING THE LACK OF COOPERATION AMONG  
CLAIMANT COUNTRIES IN CHALLENGING CHINA**

by

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March 2023

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**UNSETTLED DISPUTES IN THE SOUTH CHINA SEA: DETERMINING  
THE LACK OF COOPERATION AMONG CLAIMANT COUNTRIES  
IN CHALLENGING CHINA**

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from the

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## ABSTRACT

Since the latter half of the twentieth century, China's conduct in territorial disputes within the nine-dash line (9DL) has received international criticism. After the landmark arbitral ruling in 2016 denounced China's historical claims to maritime rights within the 9DL and ruled China's actions in Philippine waters as unlawful, it became evidently clear to the international community that China had been overstepping the bounds of the United Nations Conventions on the Laws of the Sea (UNCLOS). Prior incidents with Japan and Vietnam had already portrayed China as provocative. If left unchecked, continued Chinese provocation in the South China Sea could threaten countries' sovereign maritime rights in the region. This possibility poses an important question: Why have countries in Southeast Asia not more publicly and prominently cooperated with one another and the United States to balance against China's claims in the South China Sea? This thesis argues that claimant countries have not taken a collaborative approach to challenging China's assertiveness in the South China Sea due to three factors: heightened tensions in the South China Sea as a result of the U.S.-China rivalry, China's economic influence on claimant countries' decision-making, and the presence of a collective action dilemma among ASEAN to challenge China.

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## LIST OF ACRONYMS AND ABBREVIATIONS

|         |                                                              |
|---------|--------------------------------------------------------------|
| 1MDB    | One Malaysia Development Berhad                              |
| 9DL     | nine-dash line                                               |
| A2/AD   | anti-access/area denial                                      |
| AIIB    | Asia Infrastructure and Investment Bank                      |
| AMM     | ASEAN Foreign Ministers' Meeting                             |
| ARF     | ASEAN Regional Forum                                         |
| ASEAN   | Association of Southeast Asian Nations                       |
| BRI     | Belt and Road Initiative                                     |
| CARAT   | Cooperation Afloat and Readiness Training                    |
| CLCS    | Commission on the Limits of the Continental Shelf            |
| CRPIP   | Chico River Pump Irrigation Project                          |
| DoC     | Declaration on the Conduct of Parties in the South China Sea |
| ECRL    | East Coast Rail Link                                         |
| EDCA    | Enhanced Defense Cooperation Agreement                       |
| EEZ     | exclusive economic zone                                      |
| FDI     | foreign direct investment                                    |
| FTZ     | free trade zone                                              |
| JMSU    | Joint Maritime Seismic Undertaking                           |
| KIG     | Kalayaan island group                                        |
| LNG     | liquified natural gas                                        |
| MOU     | memorandum of understanding                                  |
| ODA     | official development assistance                              |
| PCA     | permanent court of arbitration                               |
| PH      | Pakatan Harapan                                              |
| PHIBLEX | U.S.-Philippines Amphibious Landing Exercise                 |
| PLA     | People's Liberation Army                                     |
| PN      | Perikatan Nasional                                           |

|        |                                                 |
|--------|-------------------------------------------------|
| PRC    | People’s Republic of China                      |
| RCEP   | Regional Comprehensive Economic Partnership     |
| RIMPAC | Rim of the Pacific                              |
| SLOC   | sea line of communication                       |
| SOE    | state-owned enterprise                          |
| TCOB   | Two Corridors One Belt                          |
| UN     | United Nations                                  |
| UNCLOS | United Nations Convention on the Law of the Sea |
| VCP    | Vietnam Communist Party                         |
| VFA    | Visiting Forces Agreement                       |
| VFRS   | Vietnamese Fisheries Resource Surveillance      |
| WTO    | World Trade Organization                        |

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# **I. INTRODUCTION**

## **A. MAJOR RESEARCH QUESTION**

Since the latter half of the twentieth century, China's conduct in territorial disputes within the nine-dash line (9DL) has received international criticism. After the landmark arbitral ruling in 2016 denounced China's historical claims to maritime rights within the 9DL and ruled China's actions in Philippine waters as unlawful, it became evidently clear to the international community that China had been overstepping the bounds of the United Nations Conventions on the Laws of the Sea (UNCLOS). Prior incidents with Japan and Vietnam had already portrayed China as assertive and provocative. The outcome of the arbitral ruling incited anger among the Chinese state media, and President Xi Jinping claimed that the ruling would have no effect on China's "territorial rights and marine sovereignty."<sup>1</sup> The U.S. State Department issued a statement that supported the ruling and advocated for peaceful solutions for settling maritime disputes in the South China Sea.<sup>2</sup> If left unchecked, continued Chinese provocation in the South China Sea could threaten other countries' sovereign maritime rights in the region. Without proper regional cooperation and accountability, China could employ coercive methods to rewrite the rules that govern conduct in the South China Sea. This possibility poses an important question: Why have countries in Southeast Asia not more publicly and prominently cooperated with one another and the United States to balance against China's claims in the South China Sea?

## **B. SIGNIFICANCE OF THE RESEARCH QUESTION**

China has justified its actions within the 9DL based on ambiguous historical rights laying claim to the South China Sea. The maritime domain within the 9DL trespasses on numerous countries' claimed exclusive economic zones (EEZs). Despite being a party to UNCLOS, China has engaged in unlawful activities in other countries' waters. Countries

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<sup>1</sup> Tom Phillips, Oliver Holmes, and Owen Bowcott, "Beijing rejects tribunal's ruling in South China Sea case," *The Guardian*, July 12, 2016, <https://www.theguardian.com/world/2016/jul/12/philippines-wins-south-china-sea-case-against-china#comments>.

<sup>2</sup> United States, Bureau of Public Affairs, "Decision in the Philippines-China Arbitration," July 12, 2016, <https://2009-2017.state.gov/r/pa/prs/ps/2016/07/259587.htm>.

such as Vietnam, Indonesia, Malaysia, and the Philippines have challenged China's actions, but there has not been a unified effort within the region to settle territorial disputes in a consistent manner. In 2002, the Association of Southeast Asian Nations (ASEAN) and China agreed upon the Declaration on the Conduct of Parties in the South China Sea (DoC) to limit escalation of disputes in the region.<sup>3</sup> Although the agreement introduced the possibility of multilateral negotiations between countries to settle territorial disputes, China continued to act maliciously and unilaterally in its endeavors in the South China Sea. Tensions between the Philippines and China reached a climax in April 2012 during the Scarborough Shoal incident. Months later, ASEAN met but failed to issue a communiqué to critique the incident.<sup>4</sup> As a result, the Philippines had to act independently to resolve its issues. The spirit of the DoC had the right intent in developing a set of norms for deescalating tensions in the South China Sea, but the declaration was not legally binding nor particularly comprehensive. Countries continued to prioritize protecting their own territorial claims and avoiding provoking China rather than working as a collective to ensure that the DoC was followed.

Historically, China's activities in the South China Sea have been motivated by economic factors. However, the United States' pivot towards Asia in 2011 has caused a shift in China's maritime strategy in the South China Sea. As one of the world's largest energy consumers, China has prioritized oil imports and developments in hydrocarbon extraction from the seabed to sustain its growth. Additionally, China has enforced fishing bans throughout the South China Sea to monopolize accessibility to its fishing fleet. In addition to economic ventures, China has sought to gain greater control of the South China Sea to fulfill missions critical to its naval strategy. China's naval modernization efforts and policy towards its actions in the South China Sea have been influenced by the following objectives: "for enforcing China's view that it has the right to regulate foreign military activities in its 200-mile maritime exclusive zone (EEZ); for defending China's

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<sup>3</sup> Leszek Buszynski, "ASEAN, the Declaration of Conduct, and the South China Sea," in *Contemporary Southeast Asia*, vol. 25, no. 3, December 2003, 344.

<sup>4</sup> Ernest Z. Bower, "China Reveals its Hand on ASEAN in Phnom Penh," Center for Strategic and International Studies, July 20, 2012, <https://www.csis.org/analysis/china-reveals-its-hand-asean-phnom-penh>.

commercial sea lines of communication (SLOCs), particularly those linking China to the Persian Gulf; for displacing U.S. influence in the Western Pacific; and for asserting China's status as the leading regional power and a major world power.”<sup>5</sup> China's motives in the South China Sea have evolved from economic interests to competition against the United States for influence in the region. This competition between China and the United States unwittingly complicates the resolution of territorial disputes between China and its neighbors.

China's rise to power has increased the need for better cooperation and collaboration among countries in Southeast Asia to effectively challenge territorial disputes. The biggest challenge for countries in Southeast Asia is to cooperate in a manner that does not lead to armed conflict with China. Provoking China could lead to disastrous effects in the region and around the globe. The key issue at stake is the preservation of countries' sovereign maritime rights in accordance with UNCLOS. Countries such as Vietnam and the Philippines rely heavily on oil imports. They cannot afford to succumb to Chinese pressure that could prevent them from accessing fisheries and oil reserves in their respective EEZs. Further, China's ambiguous claims to historic rights may pose a threat to important shipping lanes, thus raising the concern of freedom of navigation. The United States has advocated for the freedom of the seas globally and in the South China Sea and remains opposed to “the use of coercion or force to settle disputes.”<sup>6</sup> In addition to operating as a collective, countries in Southeast Asia can rely on the support of the United States to counter Chinese coercion in the South China Sea.

### **C. LITERATURE REVIEW**

Contention in the South China Sea has raised tensions among regional and international actors, prompting scholars and observers to conduct critical analyses to better understand the progression of events leading to heightened political sensitivity in the

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<sup>5</sup> Ronald O'Rourke, “China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress,” Congressional Research Service Reports, January 20, 2022, 4.

<sup>6</sup> Michael R. Pompeo, “U.S. Position on Maritime Claims in the South China Sea,” July 13, 2020, <https://2017-2021.state.gov/u-s-position-on-maritime-claims-in-the-south-china-sea/index.html>.

region. Scholars have inferred that the territorial disputes in the South China Sea derive from competition for economic resources among littoral countries and from complications with China's naval strategy in the Pacific. Concurrent with China's assertiveness in the South China Sea, there has been a lack of cooperation among ASEAN to settle territorial disputes with China. Common hypotheses that scholars have identified in attempting to explain the lack of cooperative effort among claimant countries deal with the effects of both the U.S.-China rivalry and China's economic influence on China-ASEAN relations. By analyzing claimant countries' policies on territorial disputes in the South China Sea, scholars have revealed that claimant countries' decision-making efforts are heavily influenced by U.S.-China relations. Scholars have also assessed the effectiveness of collaborative efforts between China and ASEAN, such as the Declaration on the Conduct of Parties in the South China Sea (DoC) and other non-security related agreements. Despite China's effort to settle tensions in the South China Sea by engaging ASEAN with these types of collaborative efforts, scholars have determined that ASEAN remains skeptical of China's motives and such efforts have not led to settling territorial disputes. The purpose of this literature review is to identify major factors of dispute in the South China Sea and correlate them to hypotheses that aim to explain the lack of cooperation among claimant countries in challenging China's claims in the South China Sea.

Scholars and analysts have attributed heightened tensions in the South China Sea to disputes over economic interests and the threat of China's naval modernization efforts. According to Leszek Buszynski, competing economic interests among claimant countries have been a major factor affecting the territorial disputes in the South China Sea.<sup>7</sup> Specifically, Vietnam and the Philippines have encountered difficulty with China in their attempts to explore maritime territory for oil and gas extraction.<sup>8</sup> Buszynski brings attention to China's malicious behavior towards other countries' economic endeavors, such as the employment of Chinese survey vessels to hinder the progress of Filipino oil exploration ships and China's decision to cut off the exploration cables of a Vietnamese

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<sup>7</sup> Leszek Buszynski, "The South China Sea: Oil, Maritime Claims, and U.S.-China Strategic Rivalry," *The Washington Quarterly*, no. 2, March 19, 2012, 141.

<sup>8</sup> *Ibid.*, 141–142.

oil survey ship within Vietnam's EEZ.<sup>9</sup> The basis for disagreement in the South China Sea has evolved from strictly territorial disputes to economic competition in the wake of the discovery of natural resources beneath the seabed. China's naval strategy further complicates the affairs in the South China Sea. Buszynski infers that China's strategic rivalry with the United States "imparts a particular assertiveness to Chinese behavior as greater control over the South China Sea is a necessary accompaniment to its extended naval strategy and deployments."<sup>10</sup> The American Congressional Research Service's report on China's naval modernization efforts offers a similar perspective, for it states that China's efforts are aimed at addressing the situation with Taiwan militarily if necessary and achieving a greater degree of control of the South China Sea.<sup>11</sup> China's assertiveness in the South China Sea poses a threat to countries' maritime rights in the region, yet it seems that claimant countries have not made a significant effort to cooperate with one another to challenge China.

Examples of hypotheses presented by scholars that aim to explain the lack of cooperation among claimant countries relate to the effects of the U.S.-China rivalry and China's economic influence on Southeast Asia. Taylor Fravel and Kacie Miura infer that the disputes in the South China Sea have evolved into a contest between the United States and China over the regional order.<sup>12</sup> The authors explain that the United States and China have become entangled in a rivalry over maintaining influence in the Western Pacific. Buszynski presents an argument stating that the U.S.-China rivalry has diminished ASEAN's ability to properly negotiate territorial disputes with China.<sup>13</sup> China's preoccupation with the United States' presence in the South China Sea could be diverting attention away from negotiations with ASEAN members. ASEAN could be less motivated to develop avenues of cooperation among its members to challenge China if the United

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<sup>9</sup> Ibid.

<sup>10</sup> Ibid., 144.

<sup>11</sup> Ronald O'Rourke, "China Naval Modernization," 4.

<sup>12</sup> M. Taylor Fravel and Kacie Miura, "Stormy Seas: The South China Sea in US-China Relations," *SSRN Electronic Journal*, June 15, 2020, 1.

<sup>13</sup> Buszynski, "The South China Sea," 144.

States and China continue to exchange “security dilemma-like dynamics” in the South China Sea.<sup>14</sup> David Shambaugh concludes that competition between the United States and China affects multiple realms in the Indo-Pacific, including the following: “military/security; political systems; diplomacy; economic/commercial; ideology; values; media; culture and soft power.”<sup>15</sup> Shambaugh also argues that comprehensive U.S.-Sino competition is the “most distinguishing feature of international relations at present and indefinitely into the future,” affecting Southeast Asia and other regions around the world.<sup>16</sup> These scholars bring to question whether the United States’ presence in the South China Sea has a positive effect on the cooperative efforts within ASEAN. Scholars have also considered how China’s economic influence affects China-ASEAN relations. Quang Minh Pham infers that ASEAN’s weak response to disputes in the South China Sea is related to individual countries’ desires to maintain a good relationship with China.<sup>17</sup> Pham also explains that the economic ties between China and ASEAN “have transitioned from a zero-sum game to a win-win cooperative situation.”<sup>18</sup> ASEAN has grown economically dependent on trade relations with China, especially due to China’s exponential economic growth and the resiliency of its economy. Lai Yew Meng surmises that ASEAN has looked to China as an alternative growth engine for its economy as opposed to treating China as an economic competitor.<sup>19</sup> According to Meng, China and ASEAN have had a long history of diplomatic and economic cooperation. Shambaugh explains that China’s increased influence in Southeast Asia has “resulted in Beijing having a virtual veto power over *every* ASEAN state.”<sup>20</sup> Consequently, Southeast Asian countries display a reluctance to openly

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<sup>14</sup> Fravel and Miura, “Stormy Seas,” 33.

<sup>15</sup> David Shambaugh, *Where Great Powers Meet: America and China in Southeast Asia* (Oxford University Press: New York, 2020), 2.

<sup>16</sup> *Ibid.*, 5.

<sup>17</sup> Quang Minh Pham, “The South China Sea security problem: towards regional cooperation,” *Asia Europe Journal*, November 19, 2010, 430.

<sup>18</sup> *Ibid.*

<sup>19</sup> Lai Yew Meng, “‘Sea of Cooperation,’ or ‘Sea of Conflict’?: The South China Sea in the Context of China-ASEAN Maritime Cooperation,” *International Journal of China Studies*, vol. 8, no.3, 326, December 2017.

<sup>20</sup> Shambaugh, *Where Great Powers Meet*, 5.

criticize and challenge China's growing influence in the region.<sup>21</sup> The benefits of a Chinese-dominated economy in Asia may dissuade Southeast Asian countries from trying to challenge China. Accordingly, claimant countries may be less willing to challenge China to preserve their economic relations.

Scholars have revealed that claimant countries have developed similar stances towards challenging China in their policies towards disputed territorial claims in the South China Sea. In the case of Malaysia, Ivy Kwek and Chiew-Ping Hoo state that Malaysian academics are caught between two approaches to the disputes in the South China Sea: “a more conciliatory stance toward China in the interest of closer bilateral relations” or “advancing a nationalist ‘enough is enough’ argument that calls for deeper cooperation with the United States in order to stand up to China’s aggression.”<sup>22</sup> Rather than prominently siding with either the United States or China, Kwek and Hoo infer that Malaysia has chosen a more cautious approach rather than publicly challenging China like other claimant countries in the past.<sup>23</sup> Both scholars reveal that Malaysia’s tendency to use backchannel diplomacy to resolve disputes influences leaders to maintain friendly relations with China. Difficulty in maintaining a balance between U.S. and Chinese relations may play a significant role in Malaysia’s decision to better cooperate with claimant countries to challenge China. According to Derek Grossman, Vietnam has experienced the same difficulty. Grossman states that “although Hanoi feels compelled to counter China’s bad behavior in the South China Sea, it also understands that its future is inextricably tied to peaceful relation with Beijing.”<sup>24</sup> Vietnam remains wary of the effects of the U.S.-China rivalry on regional affairs, and Grossman infers that “Vietnam will remain in hedging mode unless or until China forces its hand, whether in the [South China Sea] or in another area

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<sup>21</sup> Ibid.

<sup>22</sup> Ivy Kwek and Chiew-Ping Hoo, “Malaysia’s Rationale and Response to South China Sea Tensions,” Asia Maritime Transparency Initiative, May 29, 2020, <https://amti.csis.org/malaysias-rationale-and-response-to-south-china-sea-tensions/>.

<sup>23</sup> Ibid.

<sup>24</sup> Derek Grossman, “What Does Vietnam Want from the United States in the South China Sea,” RAND Corporation, January 4, 2021, <https://www.rand.org/blog/2021/01/what-does-vietnam-want-from-the-united-states-in-the.html>.

of the [U.S.-China] relationship.”<sup>25</sup> The Philippines has also experienced a similar dilemma in its policy toward the South China Sea, and its security alliance with the United States further complicates its decision-making. According to a report from the International Crisis Group, “Manila has been less willing to ignore Beijing’s assertiveness in the South China Sea.”<sup>26</sup> The report also states that the Philippines must deliberate between its security alliance with the United States and finding a *modus vivendi* with Beijing to meet economic imperatives.<sup>27</sup> Conflicting interests within Filipino bureaucratic institutions and the military have resulted in contradictions in government policy.<sup>28</sup> Scholars have shown that claimant countries have the intent to be more assertive in challenging China in the South China Sea, yet they remain hesitant in souring their relations with China.

Unresolved territorial disputes in the South China Sea have prompted scholars to assess the effectiveness of mechanisms and non-security related agreements established between ASEAN and China. The implementation of the DoC portrays the willingness of China and ASEAN to limit the escalation of disputes in the South China Sea. Buszynski explains that the creation of the DoC was based on two expectations: firstly, ASEAN members hoped that the DoC would unify claimant and non-claimant members to raise issues to China regarding incidents in the South China Sea; secondly, ASEAN sought to urge China to apply its Five Principles of Peaceful Coexistence into its policy towards the South China Sea.<sup>29</sup> According to the Five Principles, China “claimed that it would not strive for hegemony on the basis that a stable external environment was required for economic growth.”<sup>30</sup> Despite the genuine intent of the DoC to codify a tangible mechanism of cooperation between China and ASEAN, the lack of legal measures binding the code

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<sup>25</sup> Derek Grosman, “Regional Responses to U.S.-China Competition in the Indo-Pacific: Vietnam,” RAND Corporation, 2020, 64.

<sup>26</sup> “The Philippines’ Dilemma: How to Manage Tensions in the South China Sea,” International Crisis Group, December 2021, i.

<sup>27</sup> “The Philippines’ Dilemma,” International Crisis Group, ii.

<sup>28</sup> Ibid.

<sup>29</sup> Leszek Buszynski, “ASEAN, the Declaration on Conduct, and the South China Sea,” *Contemporary Southeast Asia*, vol. 25, no. 3, 2003, 351.

<sup>30</sup> Ibid.

left room for malpractice without the fear of reprisal. Pham infers that neither the ASEAN Regional Forum (ARF) nor the DoC have been sufficient mechanisms to resolve territorial disputes in the South China Sea.<sup>31</sup> Specifically, Pham states that the DoC “did not prevent the parties from building up facilities on their occupied islands.”<sup>32</sup> Consequently, parties attempted to bolster their positions in the Spratly Islands rather than settle their claims over the island chain. Additionally, Meng asserts that the effects of the DoC and other non-security related programs such as the Maritime Silk Road (MSR) have incited a bland response among ASEAN members.<sup>33</sup> Despite China’s attempts at increasing its cooperation with ASEAN through socio-economic and non-traditional security measures, Meng reveals that ASEAN remains skeptical of China’s true motives behind its push for cooperation.<sup>34</sup> Without settling territorial disputes among each other, claimant countries may be less willing to find common ground to cooperate in challenging China. Bill Hayton explains that claimant countries such as Vietnam, Malaysia, and Indonesia have all worked together to settle overlapping seabed claims, but one of the “biggest intra-ASEAN problem is the Philippines’ continuing claim on the Malaysian province of Sabah.”<sup>35</sup> Tensions from the number of lingering disputes could outweigh the effects of the resolved ones, prompting countries to be less willing to cooperate with one another. Hayton also infers that even the rule of law may not be a viable factor to settle territorial disputes among claimant countries.<sup>36</sup> A legitimate authority such as the Permanent Court of Arbitration at the Hague may provide a verdict delineating the rules, but there is no dedicated authority to police the verdict.<sup>37</sup> Scholars have shown that a sufficient mechanism has yet to be established to settle territorial disputes in the South China Sea, thus revealing the need for claimant countries to develop alternatives to promote cooperation.

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<sup>31</sup> Pham, “The South China Sea security problem,” 429.

<sup>32</sup> Ibid.

<sup>33</sup> Meng, “Sea of Cooperation,” 322.

<sup>34</sup> Meng, “Sea of Cooperation,” 330.

<sup>35</sup> Bill Hayton, “Cooperation and its Opposites: Resolving Disputes,” in *The South China Sea: The Struggle for Power in Asia* (Yale University Press: New Haven, 2014), 263.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

Regarding the theory of collective action, Kenneth Oye infers that “the prospects for cooperation diminish as the number of players increases.”<sup>38</sup> According to Oye, increasing the number of players negatively affects the likelihood of cooperation in three ways: First, “cooperation requires recognition of opportunities for the advancement of mutual interests, as well as policy coordination once these opportunities have been identified.”<sup>39</sup> Oye explains that as the number of players increases, it becomes more difficult for actors to agree on policies that embody mutual interests.<sup>40</sup> Second, “the prospects for mutual cooperation may decline as the number of players and the probable heterogeneity of actors increases.”<sup>41</sup> Simply put, as the number of players increases, the probability of admitting weaker or less competent actors also increases. Since “cooperative behavior rests on calculations of expected utility,” the admittance of weaker actors has the potential to adversely affect collective action because they may not meet the expectations of the group.<sup>42</sup> Thirdly, “as the number of players increases, the feasibility of sanctioning defectors diminishes.”<sup>43</sup> Oye explains that retaliation against one member could constitute retaliation against the whole group.<sup>44</sup> As such, “a strategy of conditional defection can have the effect of spreading, rather than containing defection.”<sup>45</sup> Oye’s criteria for the presence of a collective action dilemma could potentially explain the lack of cooperation among countries involved in South China Sea disputes with China. Although some of the claimant countries have a shared mutual interest of diminishing China’s assertive actions in the South China Sea, not all do, and each has somewhat different claims and distinct relations with China in other areas. These factors may contribute to explaining why they have not successfully taken a united stand to challenge China.

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<sup>38</sup> Kenneth A. Oye, “Explaining Cooperation under Anarchy: Hypothesis and Strategies,” *World Politics*, Volume 38, Number 1, October 1985, 18, <http://www.jstor.org/stable/2010349>.

<sup>39</sup> Ibid., 19.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid., 20.

<sup>45</sup> Ibid.

#### **D. POTENTIAL EXPLANATIONS AND HYPOTHESES**

As China has grown stronger economically and militarily, the members of ASEAN have not been able to match China's growth. Consequently, ASEAN members have not been successful in attempting to settle disputes bilaterally with China. Based on the evolution of affairs in the South China Sea, scholars and strategists have developed hypotheses to explain why Southeast Asian countries do not more openly collaborate with one another and the United States to challenge China. This thesis will expound on three hypotheses. The first hypothesis deals with the effects of the US-China rivalry on China-ASEAN relations. The second hypothesis deals with the effects of China's economic influence on Southeast Asian countries. The third hypothesis deals with the presence of a collective action dilemma among claimant countries. If other possible explanations develop in the course of the research, they will also be considered.

Firstly, one potential explanation for the lack of regional cooperation among claimant countries to balance against China's behavior in the South China Sea is China's preoccupation with its geopolitical rivalry with the United States. In November 2011, President Obama announced his determination to increase the United States' presence in the Western Pacific. Since then, U.S. support against coercive methods in the South China Sea has influenced China's maritime strategy in the region. U.S. strategists have attributed China's naval modernization efforts to the People's Republic of China's (PRC) assertive stance in the South China Sea. Additionally, the PRC has prioritized the development of an anti-access/area-denial (A2/AD) force capable of deterring the United States from intervening with conflicts over Taiwan.<sup>46</sup> China may not be as receptive to proposals made by ASEAN to settle territorial disputes because of its preoccupation with U.S. naval activity in the Western Pacific.<sup>47</sup> Chinese observers have viewed U.S. policy in the Pacific as a tool to militarize the South China Sea and prevent China's rise to power. Freedom of navigation operations (FONOPs) conducted by the U.S. Navy in the South China Sea and U.S. concern over Chinese land reclamation activities have triggered strong responses in

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<sup>46</sup> Ronal O'Rourke, "China Naval Modernization," 4.

<sup>47</sup> Leszek Buszynski, "The South China Sea: Oil, Maritime Claims, and U.S.-China Strategic Rivalry," *The Washington Quarterly*, vol. 35, no.2, March 19, 2012, 144.

China. President Xi Jinping publicly described U.S. involvement in South China Sea affairs as a way of “containing China’s broader international rise.”<sup>48</sup> Although U.S. presence in the South China Sea provides a sense of regional security for Southeast Asian countries, U.S. operations in the Western Pacific could be diverting China’s attention away from resolving regional disputes or elevating the stake of them (making them a manifestation of great power rivalry, rather than just very small disputes with limited strategic implications). China’s 2019 Defense White Paper implicitly described the increase in U.S. presence in the Pacific as a catalyst for provoking and intensifying competition in the South China Sea.<sup>49</sup> Chinese analysts have criticized the United States’ support for claimant countries as a diplomatic effort to undermine the legitimacy of China’s maritime claims. Consequently, China may be less willing to deliberate over disputed maritime claims in the South China Sea because of its resolve to withhold and protect its territorial integrity in the region.

Secondly, claimant countries may be unwilling to align with the United States to balance against China due to fear of getting excluded from economic partnerships with China. Concurrent with the development of its military, China’s economy has grown significantly in the past century. In 2010, China’s economy surpassed that of Japan as the world’s second-largest economy. As the largest economy in Asia, China has increasingly engaged in trade with ASEAN members. China has also developed the Belt and Road Initiative (BRI) and Asian Infrastructure Investment Bank (AIIB) as mechanisms to promote Chinese economic interests, create goodwill, and diminish U.S. influence in Asia. Although countries in Southeast Asia have striven to collectively promote a peaceful environment suitable for economic development, countries remain concerned about their individual relationships with China. Several countries in Southeast Asia have accepted collaborative infrastructure projects as part of the BRI.<sup>50</sup> In November 2020, ASEAN,

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<sup>48</sup> Fravel and Miura, “Stormy Seas,” 27.

<sup>49</sup> Ibid., 31.

<sup>50</sup> Pongphisoot Busbarat, “Grabbing the Forgotten: China’s Leadership Consolidation in Mainland Southeast Asia through the Mekong-Lancang Cooperation,” *ISEAS Yusof Ishak Institute*, February 6, 2018, 4.

China, and four regional partners signed the Regional Comprehensive Economic Partnership (RCEP). ASEAN played a leading role in conducting negotiations with regional partners to launch RCEP. This significant economic partnership could improve Southeast Asia's access to BRI funds, and it could "help China strengthen its relations with neighbors."<sup>51</sup> The impact of RCEP on China-ASEAN economic relations could also affect claimant countries' decision to challenge China. Southeast Asian countries may view that increased regional cooperation and strengthening security ties with the United States to better combat territorial disputes could send the wrong signal to China. As a result, Southeast Asian countries have had to deliberate over the prioritization of assured security through the United States and economic prosperity through trade with China.

Thirdly, the presence of competing territorial claims among claimant countries could pose a collective action dilemma, preventing claimant countries from establishing a common position to challenge China. Although China has made excessive claims in the South China Sea that conflict with multiple littoral countries, these countries also have competing territorial claims against each other. This divergence in interests could suggest the presence of a collective action dilemma based on Kenneth Oye's criteria.<sup>52</sup> For example, the Philippines and Malaysia lay claim to portions of the Spratly Islands while Vietnam claims the entire island chain.<sup>53</sup> A significant factor that drives disagreement surrounding these claims is the generation of maritime zones around land features in accordance with UNCLOS. Claimant countries are less willing to forfeit the control of seemingly insignificant land features due to the risk of losing the rights to maritime territory. Increased interest in maritime resources also adds to the complexity of the issue. Each country's unwillingness to settle territorial disputes may cause claimant countries to expect one another to challenge China individually. Additionally, the increased presence of the United States in the Pacific may amplify the collective action dilemma. Claimant

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<sup>51</sup> Peter A. Petri and Michael Plummer, "Order from Chaos, RCEP: A new trade agreement that will shape global economics and politics," *Brookings*, November 16, 2020, <https://www.brookings.edu/blog/order-from-chaos/2020/11/16/rcep-a-new-trade-agreement-that-will-shape-global-economics-and-politics/>.

<sup>52</sup> Kenneth A. Oye, "Explaining Cooperation under Anarchy: Hypothesis and Strategies," 19.

<sup>53</sup> "Competing Visions of International Order in the South China Sea," International Crisis Group, November 29, 2021, 3.

countries may be overly reliant on the United States to support their individual claims against China as opposed to operating as a collective. During the 2012 Scarborough Shoal standoff, Chinese experts inferred that U.S. efforts to strengthen its alliance with Manila emboldened the Philippines throughout the standoff and that the Philippines initiated international arbitration against China in 2013 with U.S. support.<sup>54</sup> U.S. support could function as a common denominator that encourages cooperation, but claimant countries remain divided based on their competing claims.

## **E. RESEARCH DESIGN**

There are three main countries that have actively engaged in territorial disputes against China: Vietnam, the Philippines, and Malaysia. Additionally, all three countries have the most maritime territory in the South China Sea that overlaps with China's 9DL. The past actions of these three countries have set the tone for ASEAN's behavior towards settling territorial disputes with China. China's behavior within the 9DL affects the security of all three countries. Unchallenged illegal maritime activity in one country's waters sets the precedent for future illegal activity in other countries' waters. As a collective, ASEAN has made little to no progress in effectively challenging China's behavior. This thesis will thus focus on three separate country case studies to identify common trends in past behavior regarding territorial disputes against China in the South China Sea.

Regarding the effects of the US-China rivalry, the frequency of collaborative efforts such as joint military exercises, distribution of security assets, and the establishment of security partnerships or alliances among claimant countries will be analyzed between 2002 and 2021. Since the DoC has been the main mechanism established to promote regional cooperation in the South China Sea, its implementation in 2002 will be used as a starting point. The frequency of occurrences will be separated into two categories: the number of cooperative efforts before and after July 2010. Precluding the U.S. pivot to Asia, the United States expressed its concern over China's reluctance to internationalize territorial disputes in the South China Sea during the 2010 ARF. This event was the United States' first

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<sup>54</sup> Fravel and Miura, "Stormy Seas," 11.

statement regarding the South China Sea since China seized Mischief Reef in 1995, and it marked the beginning of the United States' increased involvement in the Pacific. A comparison in Southeast Asian cooperative efforts before and after the United States publicly turned its attention to the Western Pacific will provide insight on the effect of U.S. influence on regional cooperation among the three countries. A decline in collaborative efforts after the U.S. pivot to Asia could indicate that the nature of great power competition between the U.S. and China has a negative effect on claimant countries' willingness to cooperate against China.

In order to analyze China's economic influence on Southeast Asian countries' decision to balance against Chinese claims in the South China Sea, each of the three countries' economic relationships with China will be analyzed. Vietnam, the Philippines, and Malaysia have all accepted financial support from China through AIIB funding, BRI developments, or other bilateral agreements. Additionally, all three countries regularly engage in trade with China. Research will focus on economic developments established after President Xi Jinping introduced the BRI in 2013. After taking each country's major economic partnerships with China into consideration, their reactions to China's claims in the South China sea will be analyzed to determine trends in balancing or bandwagoning behavior. Individual countries' decision to balance or bandwagoning with China could indicate a lack in willingness to cooperate with other claimant or non-claimant countries. Changes in trade patterns will also be analyzed to determine whether challenges to Chinese claims have an adverse effect on each countries' trade flow with China. Similar trends among the three countries could offer insight into the strength of China's economic influence in Southeast Asia.

In order to validate the presence of a collective action dilemma among claimant countries, each country's past actions will be analyzed to identify events in which countries engage one another to settle territorial disputes. If such events are present, each country's follow-on actions to challenge China's territorial claims will be analyzed and identified as either unilateral, bilateral, or multilateral action. Unilateral action by each country could confirm the dilemma. A lack of events in which countries attempt to settle territorial disputes could infer a collective disinterest in finding common ground, thus also

confirming the dilemma. Additionally, the presence of U.S. support to each country will be considered. Countries' actions after receiving aid or engaging in security partnerships with the United States will be analyzed to determine trends in behavior. If U.S. support discourages collective action, countries would have engaged in unilateral action against China after receiving U.S. support. Based on Mancur Olsen's theory of collective action, the coordination of policies that promote mutual interests among countries should increase the likelihood of cooperation.<sup>55</sup> Members that formally recognize mutual interests and adhere to pre-established rules are more likely to cooperate with one another. As such, Kenneth Oye's criteria for a collective action dilemma will also be used. If members within ASEAN exhibit behavior that is consistent with Oye's criteria, one could infer that a collective action dilemma exists.

## **F. THESIS OVERVIEW**

The following chapters of this thesis will be divided into three country-specific chapters. Each chapter will have four dedicated subsections. The first subsection will present the historical origins of each countries' territorial claims in the South China Sea and assess their legitimacy. Additionally, each country's claims will be compared to China's competing claims to determine which party has a superior legitimate claim to disputed territory according to international law. The three following subsections will present the researched evidence for each of the three identified hypotheses. Following the country-specific chapters, the final chapter will present a comprehensive analysis of trends and dissimilarities between each country's case studies. Lastly, the conclusion will present a summation of findings and provide recommendations for better cooperation among claimant countries in challenging China's claims in the South China Sea.

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<sup>55</sup> Kenneth A. Oye, "Explaining Cooperation under Anarchy: Hypothesis and Strategies," 19.

## **II. THE PHILIPPINES**

### **A. INTRODUCTION**

Philippine foreign policy towards an emergent China and its approach to addressing South China Sea issues have varied from appeasement to challenging behavior. By virtue of the Philippines' general adherence to a democratic system, its past leaders have had differing views towards China's assertiveness in the South China Sea. Additionally, past leaders have implemented differing approaches in fostering regional and international cooperation towards challenging China. Chinese encroachment in Philippines waters did not significantly alter the Philippines' threat perception of China until China acted provocatively at Reed Bank in 2011. Chinese assertiveness factored into the United States' calculus to pay closer attention to the Western Pacific, and the United States' concerns with China's growing assertiveness were confirmed after the Scarborough Shoal incident in 2012. Heightened tension between the Philippines and China was amplified as a result of the incident, and the U.S.-China rivalry started to intensify. Philippine leaders were caught between relying on regional support and U.S. aid for assured national security or aligning with China for economic gain.

This chapter begins with an overview of the Philippines' claims in the South China Sea. Then, this chapter argues three points: First, it argues that increased U.S. involvement in the Western Pacific discouraged the Philippines from taking a collective approach to challenge China. Instead of working collectively with the Association of Southeast Asian Nations (ASEAN) to challenge China's assertive behavior, the Philippines sought to align with major powers to address tensions in the South China Sea. Second, this chapter argues that China exhibited significant economic influence over the Philippines during Rodrigo Duterte's presidency, resulting in a shift from balancing to bandwagoning behavior, a strained relationship with the United States, and an unwillingness to address South China Sea issues. Lastly, this chapter argues that ASEAN's lack of support to the Philippines after the Scarborough Shoal standoff suggests that a collective action dilemma exists among ASEAN. Due to the lack of unity among ASEAN, the Philippines acted independently to challenge China's assertive behavior in the South China Sea.

## **B. THE ORIGINS AND VALIDITY OF THE PHILIPPINES' CLAIMS IN THE SOUTH CHINA SEA**

The Philippines' claims in the South China Sea were not originally part of its inherited territory. The Philippines' geographic boundaries were first delineated by the Spanish and ceded to the United States following the Spanish-American war in 1898. The ensuing peace agreement between the United States and Spain established the Treaty Box that was "drawn around the 7,107 islands that form the Philippine archipelago."<sup>56</sup> When the United States formally recognized Philippine independence in 1946, it ceded control of the Treaty Box territory to the Republic of the Philippines. Outside of its original archipelagic boundaries, the Philippines at this time has laid claim to two maritime features located in the South China Sea: Scarborough Shoal and the Kalayaan Island Group (KIG). Scarborough Shoal is located approximately 120-nm west of the northern Philippine island of Luzon and rests within the Philippines' exclusive economic zone (EEZ). The Kalayaan Island Group consists of the maritime features within the northeastern portion of the Spratly Island chain, which is located to the west of the Philippine island of Palawan. Most of the KIG rests within the Philippine's EEZ that would emanate from Palawan. Since the Philippines' EEZ is not currently settled in this region of the South China Sea, the southernmost features within the KIG could potentially reside within Malaysia's EEZ emanating from Sabah. Neither Scarborough Shoal nor the KIG were included in the Treaty Box territory.

Regarding the Philippines' justification for its claim to Scarborough Shoal, or Bajo de Masinloc, Manila has argued that its sovereignty and jurisdiction over this maritime feature is not premised on "the cession by Spain of the Philippine archipelago to the United States under the Treaty of Paris" or "on proximity or the fact that the rocks are within its 200-nm EEZ or [continental shelf] under the UN Convention on the Law of the Sea (UNCLOS)."<sup>57</sup> Rather, the Philippines has justified that it has "exercised effective

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<sup>56</sup> Mark E. Rosen, "Philippine Claims in the South China Sea: A Legal Analysis," *The Center for Naval Analyses*, August 2014, 3, <https://www.cna.org/reports/2014/iop-2014-u-008435.pdf>.

<sup>57</sup> *Ibid.*, 11.

occupation and effective jurisdiction over Bajo de Masinloc since its independence.”<sup>58</sup> The Philippines has presented historic evidence that signifies its sovereignty of the shoal, such as the planting of a flagpole and the construction and operation of a small lighthouse in 1965.<sup>59</sup>

Regarding the Philippines’ claim to the KIG, Manila’s justification has been rooted in Filipino explorer Tomas Cloma’s 1956 proclamation “asserting ownership by discovery and occupation to ‘33 islands, sand cays, sands (sic) bars, coral reefs and fishing grounds in the Spratlys covering an area of 64,976 square miles.”<sup>60</sup> In the early and late 1970s, Philippine President Ferdinand Marcos asserted control over the Spratlys by deploying the military to occupy several features of the island chain. Most notably in 1978, Marcos issued Presidential Decree 1596 which formally proclaimed Philippine sovereignty over the portion of the Spratly Islands that became known as the KIG based on “legal, historic, and equitable grounds.”<sup>61</sup> The Philippines’ claim to maritime features in the KIG is similar to the PRC’s claim over the entirety of the Spratly Islands.

The Philippines’ claim to Scarborough Shoal lacks strong evidence that proves Philippine sovereignty. It is difficult to determine whether the Philippines or China first discovered Scarborough Shoal. Both countries have never physically inhabited the shoal, and it is physically incapable of being inhabited in its natural state.<sup>62</sup> According to Mark Rosen’s legal analysis of the Philippines’ claims in the South China Sea, he infers that “when comparing the Chinese and Philippine cases, evidence of effective occupation is not overwhelming in either case—but, of the two, the Philippines’ case is stronger.”<sup>63</sup> Based on the notion of effective occupation, Rosen explains that the Philippines’ case appears to be stronger than China’s because “there is evidence that the Philippines and the U.S. Navy

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<sup>58</sup> Ibid., 12.

<sup>59</sup> Huy Duong, “The Scarborough Shoal dispute: Legal issues and implications,” RSIS, 18 June 2012, <https://www.rsis.edu.sg/wp-content/uploads/2014/07/CO12102.pdf>.

<sup>60</sup> Mark E. Rosen, “Philippine Claims in the South China Sea: A Legal Analysis,” 27.

<sup>61</sup> Ibid., 28.

<sup>62</sup> Ibid., 14.

<sup>63</sup> Ibid., 17.

visited the feature, charted it, and exercised law enforcement jurisdiction over the features.”<sup>64</sup> Despite the presence of historical evidence in favor of the Philippines, the evidence is still quite weak from a legal standpoint. The Philippines has not presented evidence that shows consistent administration of the shoal. Even Rosen admits that the Philippines’ historical evidence does not constitute definitive legal proof of sovereignty.<sup>65</sup>

China’s position on the matter appears to be at least as weak. China has based its effective occupation claim on historic rights and the continuous presence of its fishermen at the shoal. Fishing in the vicinity of a maritime feature does not constitute legal occupation, for Rosen specifically highlights the fact that “occupation requires an affirmative level of state action, such as active management of fisheries and licensing of fishing.”<sup>66</sup> China has not presented evidence that suggests that it engaged in these types of operations in the past. Additionally, China did not respond to the U.S. Navy from surveying Scarborough Shoal in 1964 and 2005.<sup>67</sup> China’s inaction during these survey operations goes against typical modern Chinese behavior in challenging U.S. Navy survey activity in perceived Chinese waters. According to Wu Shicun, China’s claim over Scarborough Shoal, or Huangyan Island, is consistent with international law based on three principles: first discovery, consistent administration, and historical fishing rights.<sup>68</sup> Wu stresses that the shoal was first discovered by the Yuan Dynasty (1271-1368AD) and that the waters surrounding the shoal have been traditional Chinese fishing grounds. Additionally, Wu explains that neither the international community nor the states bordering the South China Sea raised concern over China’s publication of its “Locations of the South China Sea Islands,” which included Scarborough Shoal, in 1948.<sup>69</sup> Despite the presence of historical

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<sup>64</sup> Ibid., ii.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid., 15.

<sup>67</sup> Mark E. Rosen, “Philippine Claims in the South China Sea: A Legal Analysis,” 17.

<sup>68</sup> Ibid.

<sup>69</sup> Wu Shicun, “Is the Nine-Dash Line in the South China Sea Legal?,” China U.S. Focus, March 6, 2014, <https://www.chinausfocus.com/peace-security/is-the-nine-dash-line-in-the-south-china-sea-legal>.

evidence from China's perspective, it does not provide clear proof of establishing a legal presence and of consistent administration of Scarborough Shoal.

Most clearly, in accordance with Article 121 of UNCLOS, both the Philippines and China should be entitled to claim Scarborough Shoal as a rock (or high-tide elevation feature). The fact that the shoal resides within the Philippines' EEZ does not automatically grant the Philippines legal ownership of the shoal. From a legal perspective, UNCLOS does not assign states sovereignty over maritime features. Without definitive evidence that shows legal occupation and administration of Scarborough Shoal, neither the Philippines nor China have a superior claim to the shoal.

China's ubiquitous claim to the Spratly Islands is equally as illegitimate as the Philippines claim to the KIG, but its occupation of low-tide elevations within the Philippines' EEZ more clearly violates the rules set forth by UNCLOS. UNCLOS does not address claiming territory by force, so it is unclear whether the stationing of troops on the Spratlys by the Republic of China (ROC) in 1948 or the invasion of the archipelago by Chinese military forces in 1988 constitute legal occupation. In contrast, UNCLOS clearly states that states are legally entitled to exercise jurisdiction over low-tide elevations within their EEZs, so China's occupation of low-tide elevations within the Philippines' EEZ is illegal.

China's position on claiming rightful ownership to the entirety of the Spratly Island chain is based on historical evidence. Wu Shicun posits that "China's claims over the South China Sea islands and relevant maritime areas are based on legitimate rights and the fact that it is the first country to discover, name, administer, and exercise control over the islands."<sup>70</sup> From a legal standpoint, these arguments appear to be weak. Wu repeatedly mentions China's "legitimate rights" when referencing China's claims in the South China Sea, but these rights are not clearly defined. Wu also infers that it should be widely known to the international community that China recovered the Spratly Islands, or the Nansha Islands, "from the illegal occupation of Japanese aggressors" after World War II."<sup>71</sup>

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<sup>70</sup> Wu Shicun, "Is the Nine-Dash Line in the South China Sea Legal?," China U.S. Focus.

<sup>71</sup> Ibid.

When assessing claims to the Spratly Islands feature-by-feature, the Philippines has a superior claim over four high-tide elevation features based on “a principle of first discovery and effective occupations.”<sup>72</sup> According to Raul Pedrozo’s analysis of competing claims in the South China Sea, France legally annexed the Spratly Islands in 1933 and ceded control of the archipelago to South Vietnam in the 1950s.<sup>73</sup> The Philippines currently occupies seven high-tide elevation features in the Spratlys, but evidence suggests that the Philippines only has rightful claim over four of these features. West York Island, Nanshan Island, Flat Island, and Lankiam Cay were not covered in the original French annexation document, so the Philippines “was legally justified in classifying the features as *terra nullius* when it occupied them in the late 1960s.”<sup>74</sup> Although Chinese scholars have claimed sovereignty over the entirety of the Spratly Islands as early as the Yuan Dynasty, Rosen argues that “China has produced no evidence that it specifically annexed or physically occupied these features.”<sup>75</sup>

Although China and the Philippines have competing territorial claims in the South China Sea that are not legally justifiable, evidence suggests that the Philippines has superior claims to certain features within the KIG, but not to Scarborough Shoal. By understanding the history of the Philippines’ claims in the South China Sea and how they compare legally to China’s claims, one can understand Manila’s justification in challenging China. The PRC’s encroachment in the Philippine waters and its illegal occupation of maritime features in the South China Sea requires action from Manila to maintain its territorial sovereignty and spur collective action within ASEAN to maintain a rules-based order in the South China Sea.

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<sup>72</sup> Mark E. Rosen, “Philippine Claims in the South China Sea: A Legal Analysis,” iv.

<sup>73</sup> Raul Pedrozo, “China versus Vietnam: An Analysis of the Competing Claims in the South China Sea,” *The Center for Naval Analyses*, August 2014, ii, <https://www.cna.org/reports/2014/iop-2014-u-008433.pdf>.

<sup>74</sup> Mark E. Rosen, “Philippine Claims in the South China Sea: A Legal Analysis,” 47.

<sup>75</sup> *Ibid.*

### C. EFFECTS OF THE U.S.-CHINA RIVALRY ON THE PHILIPPINES

The establishment of the Declaration on the Code of Conduct of Parties in the South China Sea (DoC) in 2002 should have introduced a period of improved cooperation in de-escalating territorial disputes between the Philippines and China, but tensions rose between both countries as both sides engaged in actions that did not abide to the code. The Mischief Reef incident between the Philippines and China in January 1996 set in motion the negotiations between the Philippines and the rest of ASEAN that led to the implementation of the DoC. This incident was the first time that China engaged in “military confrontation with an ASEAN member other than Vietnam,” and the incident triggered the Philippines to collectively cooperate with ASEAN in developing an ethos to deescalate tensions in the South China Sea.<sup>76</sup> Although the DoC has prevented violent actions from breaking out in the South China Sea, China and others have continued to assert competing claims to maritime features within its 9DL. This sequence of events has led the Philippines to taking a harder stance against China to defend its maritime claims.

The Philippines’ efforts to promote collective action to challenge China’s rising assertiveness in the South China Sea varied after the DoC was implemented. Prior to the U.S. pivot to Asia in 2011, the Arroyo administration sought to build on stable Sino-Philippine relations as a result of the DoC’s implementation. The United States expressed minimal concern in the Western Pacific during the early years of Arroyo’s presidency, which allowed China to influence the Philippines’ actions. The U.S. pivot to Asia in 2011 altered U.S.-China relationship dynamics, and China’s assertive behavior towards the Philippines influenced the Aquino administration to strengthen ties with the United States. Although increased U.S. interest in the Western Pacific helped influence Aquino to balance against China, China remained adamant towards exerting control over territory within its 9DL. Duterte attempted to take a different approach by appeasing China, but China continued to reject efforts at settling territorial disputes with the Philippines. The following subsections explore the shifts in the Philippines’ South China Sea policy between 2002 and 2021 to illustrate the effects of U.S. and Chinese influence on Philippines leaders’ decision-

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<sup>76</sup> “Timeline: China’s Maritime Disputes,” Council on Foreign Relations, <https://www.cfr.org/timeline/chinas-maritime-disputes>.

making. This section argues that increased U.S. involvement in the Western Pacific discouraged the Philippines from taking a collective approach to challenge China. Instead of working collectively with ASEAN to challenge China's assertive behavior, the Philippines acted unilaterally and sought to align with major powers to address tensions in the South China Sea.

## **1. Contemporary Tensions with China**

Shortly after the DoC was implemented, Philippine President Gloria Macapagal-Arroyo sought take advantage of stable Sino-Philippine relations and the goodwill between the United States and China. The Arroyo government took the lead in diplomatic efforts among ASEAN and China to produce the DoC. China's acceptance of the DoC marked a monumental achievement for the Philippines and the rest of ASEAN. It suggested that China was willing to address South China Sea disputes multilaterally. According to Arroyo, the period after the DoC was implemented led to a "golden age" of bilateralism between the Philippines and China.<sup>77</sup> As such, the Arroyo government initiated the Joint Maritime Seismic Undertaking (JMSU) to build on the momentum of warm relations between the Philippines and China. The Arroyo administration aimed to initiate a joint development in maritime exploration with China "short of actual extraction of oil or gas."<sup>78</sup> Vietnam later joined the initiative as a third member. The Arroyo administration wanted to build on the momentum of cooperation between the Philippines and China and settle territorial disputes at a later time.<sup>79</sup> Initial surveys were conducted, but negative developments stemming from allegations of Arroyo's fraudulent actions during her presidency overshadowed further joint efforts, and the JMSU agreement was not renewed in 2008.

Although Arroyo sought to cooperate with China to increase domestic economic development, corruption allegations undermined her legitimacy. Prior to the signing of the

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<sup>77</sup> "The Philippines' Dilemma: How to Manage Tensions in the South China Sea," International Crisis Group, December 2, 2021, 39.

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

JMSU in 2005, Arroyo received funding from Beijing for various development projects in the Philippines.<sup>80</sup> Cordial relations between China and the Philippines influenced China to provide “overseas development assistance (ODA) to the Philippines, quickly moving up the rankings of donors to become the fifth-largest contributor.”<sup>81</sup> As Arroyo advocated for the JMSU and other domestic projects funded by Chinese ODA, “her presidency was plagued by allegations of corruption and vested interests.”<sup>82</sup> Congressional investigations later revealed that Chinese funds were provided for “alleged kickbacks and payoffs for Philippine officials and politicians.”<sup>83</sup> As a result, the Arroyo administration was accused of bartering away Philippine territorial sovereignty in exchange for developmental aid from China.<sup>84</sup> Sino-Philippine relations regarding South China Sea issues remained relatively calm throughout Arroyo’s presidency, but Chinese assertiveness ramped up after Benigno Aquino came to power.

The early years of Benigno Aquino’s presidency marked a significant turning point in Sino-Philippine relations. China’s intent on asserting territorial claims within its 9DL became evidently clear to Aquino when the Chinese coast guard “expelled a Philippine survey vessel in the Reed Bank, within the Philippine EEZ” in 2011.<sup>85</sup> The Philippines viewed this incident as “a clear encroachment of the rights of a friendly state by a supposedly friendly neighbor” and as a violation of the Philippines’ territorial integrity and sovereignty.<sup>86</sup> In 2012, Sino-Philippine relations deteriorated further after the Scarborough Shoal incident. What began as an effort by the Philippines to disrupt what it perceived as

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<sup>80</sup> Ernest Z. Bower, “The JMSU: A Tale of Bilateralism and Secrecy in the South China Sea,” Center for Strategic and International Studies, July 27, 2010, <https://www.csis.org/analysis/jmsu-tale-bilateralism-and-secrecy-south-china-sea>.

<sup>81</sup> Ibid.

<sup>82</sup> “Philippines’ top court frees ex-president Arroyo after five years,” *Reuters*, July 19, 2016, <https://www.reuters.com/article/us-philippines-politics-arroyo/philippines-top-court-frees-ex-president-arroyo-after-five-years-idUSKCN0ZZ0IR>.

<sup>83</sup> Ernest Z. Bower, “The JMSU: A Tale of Bilateralism and Secrecy in the South China Sea,” Center for Strategic and International Studies.

<sup>84</sup> “The Philippines’ Dilemma,” International Crisis Group, 40.

<sup>85</sup> Ibid.

<sup>86</sup> “Statement on the Reed Bank Incident,” Senate of the Philippines, March 8, 2011, [https://legacy.senate.gov.ph/press\\_release/2011/0308\\_angara2.asp](https://legacy.senate.gov.ph/press_release/2011/0308_angara2.asp).

illegal fishing resulted in a two-month standoff between Philippine and Chinese vessels at the shoal. Manila eventually withdrew its vessels, but Beijing's vessels remained. Consequently, China took administrative control of Scarborough Shoal by the end of the standoff.

During the standoff, Aquino turned to ASEAN to receive support in collectively challenging China's rising assertiveness in the South China Sea. The Aquino administration's call for collective action amounted to nothing as ASEAN failed to issue a joint communique on the South China Sea issue during its annual meeting in Cambodia. ASEAN reached an impasse over China's claims in the South China Sea and failed to issue a communiqué "for the first time in its forty-five-year history."<sup>87</sup> Although the Philippines called for a "rules-based and multilateral approach in solving the disputes, other members aligned to China, like Cambodia and Laos, toe Beijing's line either by not openly backing a multilateral approach or opposing it outright."<sup>88</sup>

The Scarborough Shoal standoff altered the Philippines' threat perception of China and initiated a shift in the Philippines' South China Sea policy, prompting Aquino to take unilateral action against China. The outcome of the standoff revealed three major findings to the Philippines: first, China took defending its 9DL claim seriously; second, China remains adamant towards settling South China Sea disputes bilaterally; and third, ASEAN was not unified in challenging China's assertiveness in the South China Sea. Due to soured diplomatic relations with China and ASEAN's lack of support, the Aquino administration unilaterally challenged China's assertiveness by enacting legal measures. In January 2013, the Philippines "instituted arbitral proceedings against the People's Republic of China under Annex VII to the United Nations Convention on the Law of the Sea."<sup>89</sup> The Philippines filed the case based on "the role of historic rights and the source of maritime

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<sup>87</sup> "Timeline: China's Maritime Disputes," Council on Foreign Relations.

<sup>88</sup> Michaela Del Callar, "PHL deplores ASEAN conduct on issuing traditional statement," GMA News, July 13, 2012, <https://www.gmanetwork.com/news/topstories/nation/265353/phl-deplores-asean-conduct-on-issuing-traditional-statement/story/?related>

<sup>89</sup> "The South China Sea Arbitration (The Republic of the Philippines v. The People's Republic of China)," Permanent Court of Arbitration, [https://pca-cpa.org/en/cases/7/#:~:text=The%20South%20China%20Sea%20Arbitration,\(the%20%E2%80%9CConvention%E2%80%9D](https://pca-cpa.org/en/cases/7/#:~:text=The%20South%20China%20Sea%20Arbitration,(the%20%E2%80%9CConvention%E2%80%9D)) D).

entitlements in the South China Sea, the status of certain maritime features in the South China Sea, and the lawfulness of certain actions by China in the South China Sea that the Philippines alleged to be in violation of the Convention.”<sup>90</sup> Aquino was not willing to dismiss China’s assertive behavior. Throughout the rest of his presidency, Aquino relied on internal balancing measures and enhanced security cooperation with major powers to challenge China. However, Sino-Philippine relations experienced a dramatic shift once Duterte became president.

From the start of Rodrigo Duterte’s presidency in 2016, he sought to appease China and undo Aquino’s efforts. The Philippines’ position in challenging China reached a definitive point in July 2016 when the Permanent Court of Arbitration (PCA) at the Hague released the award for the Philippines’ international arbitration case. The court decided that “China’s nine-dash line and assertion of ‘historic rights’ have no basis in international law,” and that “no feature in the Spratlys could be legally classified as an island capable of generating an EEZ or continental shelf.”<sup>91</sup> The Aquino administration had achieved an important victory, but Duterte exercised caution in trying to encourage international support and use the victory to challenge China.<sup>92</sup> Furthermore, Washington’s criticism of Duterte’s brutal anti-drug trafficking campaign fueled Duterte’s disinterest towards the United States. As a result, Duterte chose to downplay the 2016 ruling, improved Philippine-Chinese relations, and decreased the Philippines’ reliance on the United States. Instead of relying on U.S. aid or regional support to challenge China, Duterte sought to settle territorial disputes in the South China Sea with China bilaterally.

Duterte’s appeasement strategy towards China helped ease tensions in the South China Sea, but only in the short-term. By direction from Duterte, former Philippine president Fidel Ramos secured a non-binding communique with China in August 2016 that emphasized “cooperation and peaceful dispute resolution, with references to equal access for both countries’ fishermen to Scarborough Shoal, prospective cooperation on

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<sup>90</sup> Ibid.

<sup>91</sup> “The Philippines’ Dilemma,” International Crisis Group, 5.

<sup>92</sup> Ibid., 6.

environmental protection and a long-term vision of demilitarisation in the Sea.”<sup>93</sup> For a brief period, China abstained from occupying any of the Philippines’ claimed features and Philippine and Chinese vessels experienced less confrontations.<sup>94</sup> Despite Duterte’s amiable attitude towards China, the PRC did not refrain from conducting grey zone operations and maintaining a maritime presence in the vicinity of Scarborough Shoal and the Spratlys. When the Philippines filed diplomatic protests following assertive Chinese actions in standoffs from 2017 onward, “Beijing has often reacted by making minor concessions, halting some of its provocative actions, but not all.”<sup>95</sup> Towards the end of his presidency, Duterte’s attitude towards the United States began to shift as he realized that China would continue to act assertively in the South China Sea.

The Philippines’ perception of China and its strategy to address South China Sea issues varied dramatically between Arroyo and Duterte’s presidencies. The Philippines did not perceive China as a significant threat until the Scarborough Shoal standoff, which prompted the Aquino administration to challenge China’s assertiveness. As a result of ASEAN’s lack of support and increased U.S. interest in the Western Pacific, the Aquino administration acted unilaterally to challenge China. Once Duterte came into power, he sought to appease China instead of continuing Aquino’s strategy. The main aspect that remained constant between the Aquino and Duterte administrations was the lack of collective action with ASEAN to challenge China.

## **2. Security Cooperation with the United States**

As tensions in the South China Sea heightened after the Scarborough Shoal standoff, the Aquino administration sought to strengthen its defense ties with the United States to better challenge China. In 2014, the United States and the Philippines bolstered their relationship by signing the Enhanced Defense Cooperation Agreement (EDCA). Under the agreement, “the U.S. military would gain increased rotational troop presence in the country, engage in more joint training, and have greater access to bases across the

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<sup>93</sup> Ibid., 7.

<sup>94</sup> Ibid., 8.

<sup>95</sup> Ibid., 9.

archipelago, including ports and airfields.”<sup>96</sup> This agreement complimented the original Mutual Defense Treaty between the Philippines and United States, and it expressed U.S. solidarity on behalf of the Philippines while the Philippines carried out its international arbitration case against China. The signing of the EDCA also signaled to other claimant states “about the prospect of bolstering their military relations with the U.S. based on the terms that are acceptable to them.”<sup>97</sup> An increase in U.S. interest in the Western Pacific allowed the Philippines to strengthen its ties with the United States.

Although Duterte sought to lessen Philippine dependence on the United States from the outset of his presidency, he retained the U.S.-Philippine alliance and permitted limited joint military exercises with the United States. During the beginning of his presidency, Duterte threatened to terminate the Visiting Forces Agreement (VFA) between the United States and the Philippines. After visiting Beijing in October 2016, Duterte “declared a ‘separation’ from the United States and a realignment in favor of China, accompanied by an agreement to resolve their disputes in the South China Sea bilaterally.”<sup>98</sup> Despite this declaration, Duterte refrained from severing the U.S.-Philippine alliance and allowed joint military exercises between the United States and the Philippines to resume, but in a smaller scale and limited focus. Although Duterte terminated the annual U.S.-Philippine Amphibious Landing Exercises (PHIBLEX), the annual Balikatan exercises “involving thousands of American and Filipino troops would continue, but would be refocused from warfighting scenarios to humanitarian, engineering, and civil activities.”<sup>99</sup> In 2017, the Mutual Logistics Support Agreement was renewed between both countries “and is the legal mechanism to access locally sourced resources abroad.”<sup>100</sup> In addition to the original

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<sup>96</sup> Ibid.

<sup>97</sup> Renato Cruz De Castro, “The Duterte Administration’s Foreign Policy: Unravelling the Aquino Administration’s Balancing Agenda on an Emergent China,” *Journal of Current Southeast Asian Affairs*, Vol. 35, No. 3, 2016, 144.

<sup>98</sup> Renato Cruz De Castro, “President Duterte’s Backtracking Prompts Hope for Compromise,” Asia Maritime Transparency Initiative, December 1, 2016, <https://amti.csis.org/dutertes-backtracking-prompts-hope/>.

<sup>99</sup> Ibid.

<sup>100</sup> “U.S. Security Cooperation with the Philippines,” U.S. Department of State, October 7, 2022, <https://www.state.gov/u-s-security-cooperation-with-the-philippines/>.

Mutual Defense Treaty and the 1998 Visiting Forces Agreement, these agreements “continue to provide the foundation for the bilateral security relationship and enable critical U.S. military support, presence and interoperability.”<sup>101</sup>

As increased U.S involvement in the Western Pacific heightened tensions in the South China Sea, the Philippines gravitated towards deepening its security ties with the United States. This evidence supports the hypothesis that the U.S.-China rivalry in the Western Pacific has discouraged claimant countries from taking a collective approach to challenging China. Instead of working with ASEAN to challenge China’s assertiveness in the South China Sea, the Philippines sought to boost its national security capabilities by leveraging its alliance with the United States. In the case of Duterte, he maintained the U.S.-Philippine alliance while trying to align closely with China. Both the Aquino and Duterte administrations relied on the United States to help boost the Philippines’ security posture.

### **3. Security Cooperation with Japan**

The Philippines also turned to Japan to address its security challenges in the South China Sea. Japan assisted the Philippines in 2013, prompting the creation of a strategic partnership between the Philippines and Japan that focused on a collaborative approach towards settling their separate territorial disputes with China.<sup>102</sup> In addition to both countries’ official bilateral agreement on maritime security, Japan promised to provide 10 patrol boats to the Philippines Coast Guard “to boost the country’s capabilities in the South China Sea and counter China’s growing maritime presence.”<sup>103</sup> In 2015, Aquino visited Japan to sign a joint declaration with Japanese Prime Minister Shinzo Abe that committed Japan to “enhancing the capacity of the [Philippine Coast Guard], cooperating with the Philippines on maritime security specifically on maritime domain awareness, and raising the prospects for the transfer of Japanese defence equipment and technology to the

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<sup>101</sup> Ibid.

<sup>102</sup> Martin Fackler, “To Counter China, Japan and Philippine Will Bolster Maritime Cooperation,” *The New York Times*, 10 Jan 2013, <https://www.nytimes.com/2013/01/11/world/asia/japan-and-philippines-to-bolster-maritime-cooperation.html>.

<sup>103</sup> “Timeline: China’s Maritime Disputes,” Council on Foreign Relations.

Philippines.”<sup>104</sup> Duterte maintained bilateral relations with Japan, and Japan remained “committed to developing the Philippines’ maritime capabilities.”<sup>105</sup>

The Philippines’ efforts to strengthen security ties with Japan supports the hypothesis that the U.S.-China rivalry in the Western Pacific has discouraged claimant countries from taking a collective approach to challenge China. By strengthening its security ties with the United States and Japan, the Philippines has shown a preference to work with major powers to challenge China instead of engaging in collective action with ASEAN. Both the Philippines and Japan formally strengthened their bilateral ties to pursue their common interests in the South China Sea.

#### **4. Limited Cooperation with Vietnam**

Although ASEAN as whole has remained divided on the issue of China’s behavior in the South China Sea, the Philippines sought to strengthen bilateral relations with Vietnam based on their shared experiences with Chinese assertiveness. After the Philippines filed its international arbitration case against China in 2013, Vietnam supported the Philippines’ efforts and submitted its position on the case to the tribunal in December 2014.<sup>106</sup> Since both countries had converging interests, the Philippines and Vietnam agreed to establish a strategic partnership that ensured future cooperation between the Philippines and Vietnam in areas such as regional security and stability, agriculture, and environment protection.<sup>107</sup>

Since the Philippines and Vietnam formally declared their strategic partnership in 2015, they have not engaged in any significant activity signaling their intent to further advance their partnership or to engage in a collaborative approach to challenge China’s assertiveness in the South China Sea. Most notably, the strategic partnership between the Philippines and Vietnam has promoted military staff-to-staff talks and joint naval

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<sup>104</sup> Renato Cruz De Castro, “The Duterte Administration’s Foreign Policy,” 145.

<sup>105</sup> “The Philippines’ Dilemma,” International Crisis Group, 7.

<sup>106</sup> Julio S. Amdor III and Jeremie P. Credo, “The Philippines and Vietnam: Strategic Partners?,” *The Diplomat*, February 26, 2016, <https://thediplomat.com/2015/02/the-philippines-and-vietnam-strategic-partners/>.

<sup>107</sup> *Ibid.*

confidence building measures.<sup>108</sup> However, these limited cooperation efforts do not necessarily imply both countries' willingness to collectively challenge China.

## **5. Assessment of Findings**

After the United States increased its presence in the Western Pacific, Philippine leaders have shown a preference towards strengthening defense ties with major powers to challenge China and engaging with China bilaterally to address South China Sea issues. Such actions were prominent after the Scarborough Shoal standoff in 2012. After the standoff, the United States had vested interest in the Western Pacific and ASEAN showed little support to the Philippines in challenging China's rising assertiveness. As a result, the Philippines "pursued a dual approach by bolstering its defense capabilities and enhancing its military alliance with Washington."<sup>109</sup> Additionally, the Philippines strengthened its cooperation efforts with Japan to better address its security concerns in the South China Sea. Although Duterte shifted to an appeasement strategy towards China, he retained the U.S.-Philippine alliance and bilateral relations with Japan. The Philippines' past efforts to challenge China supports the hypothesis that the U.S.-China rivalry in the South China Sea has discouraged claimant countries from taking a collaborative approach to challenge China.

## **D. EFFECTS OF CHINA'S ECONOMIC INFLUENCE ON THE PHILIPPINES**

Philippine leaders have been subject to China's economic influence years before Xi Jinping introduced China's Belt and Road Initiative (BRI) in 2013. During Gloria Macapagal-Arroyo's presidency, her decision to set aside the Philippines' territorial claims in the South China Sea and strengthen relations with China "culminated in about twenty major investments from Chinese state-owned enterprises (SOEs) in sectors spanning power

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<sup>108</sup> Mico Galang, "Opportunities for the Philippines-Vietnam Strategic Partnership," Asia Maritime Transparency Initiative, May 1, 2020, <https://amti.csis.org/opportunities-for-the-philippines-vietnam-strategic-partnership/>.

<sup>109</sup> Ibid.

to transportation.”<sup>110</sup> Although Benigno Aquino’s policy towards China and the South China Sea contrasted sharply with his predecessor, China and the Philippines maintained an economic relationship during his presidency and Chinese Foreign Direct Investment (FDI) in the Philippines increased.<sup>111</sup> Aquino’s hardened stance against China, as a result of the Scarborough Shoal incident, caused him to halt government-to-government transactions with China, but he permitted Chinese FDI from smaller Chinese firms instead of large State-Owned Enterprises (SOEs). Once Rodrigo Duterte ascended into presidency in 2016, he abandoned Aquino’s strategy and started to fully embrace China as a key economic partner. Duterte chose to appease China in order to “access loans and direct investment from Chinese policy banks and an array of Chinese forms.”<sup>112</sup> This section argues that China’s economic influence caused Duterte to bandwagon with China, resulting in a strained relationship with the United States and a lack in willingness to challenge China’s claims in the South China Sea.

### **1. Duterte’s Economic Dependence on China**

Duterte’s decision to reverse his stance on South China Sea territorial disputes was not a direct result of Chinese influence. The United States’ criticism of Duterte’s anti-drug campaign pushed Duterte away from maintaining U.S. support, and Duterte exhibited a personal conviction to strengthen bilateral ties with China. Duterte sought to accommodate China and reap the benefits from a potentially lucrative economic relationship. This signaling from Duterte proved beneficial for China because there was “a convergence between China’s grandiose plans for infrastructure and economic connectivity under the BRI and the Duterte administration’s preference for closer ties with China.”<sup>113</sup> Duterte relied on Chinese support to help finance his Build! Build! Build! Program which “aimed at increasing the role of foreign loans and aid in the Philippines’ infrastructure

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<sup>110</sup> Alvin Camba, “How Duterte Strong-Armed Chinese Damn Builders But Weakened Philippine Institutions,” Carnegie Endowment for International Peace, June 2021, 5.

<sup>111</sup> Ibid., 6.

<sup>112</sup> Ibid.

<sup>113</sup> Aileen S. P. Baviera and Aries A. Arugay, “The Philippines’ Shifting Engagement with China’s Belt and Road Initiative: The Politics of Duterte’s Legitimation,” *Asian Perspective*, Vol. 45, No. 2, 2021, 278.

buildout.”<sup>114</sup> Months after sending former president Fidel Ramos to China to secure the non-binding communiqué, Duterte visited Beijing and secured approximately “US\$24 billion in new financing.”<sup>115</sup> In 2017, Duterte and members from his cabinet attended the first Belt and Road Forum for International Cooperation in Beijing. Between 2016 and 2019, bilateral relations between China and the Philippines improved significantly and Chinese investments, trade, and tourism in the Philippines grew.<sup>116</sup> It was not until 2018 that Manila and Beijing signed a Memorandum of Understanding (MOU) on Cooperation on the Belt and Road Initiative. Both sides agreed to sign loan agreements to finance two high-priority projects in the Philippines: the Kaliwa Dam and the Chico River Pump Irrigation Project (CRPIP). Neither of these projects were proposed by Chinese investors. Rather, Duterte repackaged them as old ideas and presented them to China.<sup>117</sup>

As Duterte welcomed increased Chinese economic investment in the Philippines and admittance into the BRI, the Duterte administration handled Chinese violations in the South China Sea more discreetly. This indicates bandwagoning behavior from the Philippines on behalf of maintaining strong economic ties and cordial relations with China. The Philippines’ reactions to Chinese assertiveness at the Spratlys and Scarborough Shoal portray Duterte’s decision to downplay disputes in the South China Sea. Near Thitu Island, the largest feature in the Spratlys that the Philippines controls, Chinese coast guard vessels and fishing boats engaged Filipino fishermen in multiple standoffs from 2017 onward.<sup>118</sup> At Scarborough Shoal, the Chinese coast guard “regulates access to the shoal, often chasing Filipino fishermen away.”<sup>119</sup> As a result of these infractions on the non-binding communiqué between Manila and Beijing, the Duterte administration handled these issues quietly and often settled violations diplomatically. China has responded by offering only

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<sup>114</sup> Alvin Camba, “How Duterte Strong-Armed Chinese Damn Builders But Weakened Philippine Institutions,” 10.

<sup>115</sup> Ibid.

<sup>116</sup> Ibid.

<sup>117</sup> Ibid., 11.

<sup>118</sup> “The Philippines’ Dilemma,” International Crisis Group, 9.

<sup>119</sup> Ibid.

mutated apologies or making minor concessions to the Philippines. Duterte also sought to improve relations with China by intentionally cutting off U.S. support to the Philippines and criticizing the United States' actions during South China Sea disputes between the Philippines and China. In the early years of his presidency, Duterte cancelled annual military exercises with the United States and came to the brink of terminating the U.S.-Philippines VFA. Duterte criticized the United States for its inaction as China began its island building activities in 2014 after Aquino filed the international arbitration case. He also criticized the "alliance with the United States for the low levels of military assistance of mostly secondhand equipment, with political conditions attached."<sup>120</sup> Such behavior from Duterte sent a strong signal to Beijing that Duterte was totally invested in his relationship with China.

Duterte displayed a willingness to take a harder stance against China's growing assertiveness in the South China Sea towards the end of his presidency, but most of his efforts while in office were dedicated to fostering an economic partnership with China and disregarding maritime disputes in the South China Sea. Throughout much of his presidency, Duterte welcomed "Chinese participation in major infrastructure developments projects in the Philippines and [welcomed] the prospect of greater economic and social connectivity with China."<sup>121</sup> Duterte's decision to appease China may also have been influenced by his desire to increase his political legitimization and his effort to redefine the Philippines' relationship with China.<sup>122</sup> The most prominent assertion of territorial jurisdiction during Duterte's presidency "stemmed from Manila's outspoken criticism of China in the wake of an incident at Whitsun Reef in March 2021."<sup>123</sup> In response to a leaked image of hundreds of Chinese vessels gathered near the Spratlys, Manila filed several protests and ordered the Philippine Navy and Coast Guard to conduct drills in the area. Additionally, Duterte's warm attitude towards China shifted after the Sierra Madre

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<sup>120</sup> Aileen S. P. Baviera and Aries A. Arugay, "The Philippines' Shifting Engagement with China's Belt and Road Initiative," 282.

<sup>121</sup> Ibid., 289.

<sup>122</sup> Ibid., 280.

<sup>123</sup> "The Philippines' Dilemma," International Crisis Group, 12.

resupply incident in November 2021. During the incident, “two Philippines civilian boats delivering provisions to the moored BRP *Sierra Madre* at Second Thomas Shoal (called Ayungin Shoal in the Philippines) were blocked and water-cannoned by three Chinese coast guard vessels.”<sup>124</sup> After the incident, Duterte shifted away from his warm behavior towards China raising “the matter in a virtual ASEAN-China commemorative summit in November 22.”<sup>125</sup> Prior to both incidents, Duterte did little to challenge China’s actions in the South China Sea and remained wary of U.S. support.

Rather than viewing China as a threat, Duterte perceived China as “a major economic power, a creditor, a source of investments and development financing, even a potential labor market for the Philippines.”<sup>126</sup> Duterte maintained that perception throughout his presidency and refrained from weakening his economic relationship with China. Towards the end of his presidency, it became clear to Duterte that he could no longer dismiss China’s assertiveness in the South China Sea.

## **2. Assessment of Findings**

Duterte’s efforts to improve economic relations with China granted China significant economic leverage over the Philippines. As China continually provided economic aid to the Philippines throughout Duterte’s presidency, Duterte became more dismissive towards China’s assertive behavior in the South China Sea. As Chinese vessels continued to assert their presence in the vicinity of the Philippines’ claimed features, Duterte did little to challenge China until the end of his presidency. Duterte’s bandwagoning behavior towards China after receiving economic benefits suggests that Duterte prioritized maintaining economic relations with China over settling territorial disputes and potentially straining Sino-Philippine relations. The manner in which Duterte engaged with China throughout his presidency supports the hypothesis that claimant

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<sup>124</sup> Lucio Blanco Pitlo III, “The Second Thomas Shoal Incident and the Reset in Philippine-U.S. Ties,” Asia Maritime Transparency Initiative, December 17, 2021, <https://amti.csis.org/the-second-thomas-shoal-incident-and-the-reset-in-philippine-u-s-ties/>.

<sup>125</sup> Ibid.

<sup>126</sup> Aileen S. P. Baviera and Aries A. Arugay, “The Philippines’ Shifting Engagement with China’s Belt and Road Initiative,” 286.

countries are reluctant to take a collaborative approach to challenge China due to their dependence on China's economy.

## **E. THE COLLECTIVE ACTION DILEMMA**

After ASEAN reached an impasse over China's claims in the South China Sea and failed to issue a communiqué in 2012, it became clear that a collective action dilemma exists among ASEAN. As a result of ASEAN's division towards China's assertiveness in the South China Sea, the Philippines acted independently to challenge China. Although ASEAN has been committed to abiding by international law and settling disputes peacefully in the South China Sea as outlined by the DoC, the groups' individual interests regarding South China Sea issues have not aligned. Along with the Philippines, only two other countries within ASEAN claim territory in the South China Sea. The other seven non-claimant members have little to no incentive to support disputes over maritime features that they do not control.

ASEAN's behavior is indicative of Kenneth Oye's criteria for the presence of a collective action dilemma. After the standoff, the number of members that did not support challenging China was greater than the number of members that supported challenging China, resulting in a failed attempt to "agree on policies that embody mutual interests."<sup>127</sup> ASEAN failed to act as a collective to challenge China due to the divergence in individual interests among a relatively large number of members. To further illustrate the divergence in interests among ASEAN, Vietnam was the only ASEAN-member to submit its position to the international tribunal regarding the Philippines' arbitration case against China.

After the PCA issued its final award for the Philippines' arbitration case in 2016, "ASEAN Foreign Ministers did not issue a stand-alone statement in the Tribunal's ruling when they met in Vientiane on 24 July," and the ruling "was not mentioned in the final communique."<sup>128</sup> Although the PCA's award favored the Philippines' position and

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<sup>127</sup> Kenneth A. Oye, "Explaining Cooperation under Anarchy: Hypothesis and Strategies," *World Politics*, Volume 38, Number 1, October 1985, 19, <http://www.jstor.org/stable/2010349>.

<sup>128</sup> Ian Storey, "Assessing Responses to the Arbitral Tribunal's Ruling on the South China Sea," *ISEAS Yusof Ishak Institute*, July 28, 2016, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2016\\_43.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2016_43.pdf).

“served as a legal basis for all relevant states to review their positions and policies in the South China Sea,” ASEAN remained divided over the South China Sea.<sup>129</sup> The lack of unity among ASEAN regarding South China Sea disputes has impacted the Philippines’ actions in a way that contributes to the collective action dilemma among ASEAN. Rather than seeking to take a collaborative approach with ASEAN to challenge China, the Philippines acted independently with the support of other major powers.

## **F. FINAL ASSESSMENT**

Based on the findings for each of the three working hypotheses, this section argues that the evidence from this case study supports each hypothesis.

Regarding the hypothesis on the effects of the U.S.-China rivalry in Southeast Asia, evidence from this case study suggests that the rivalry has had a negative effect on the Philippines’ efforts to take a collaborative approach to challenge China. As the United States increased its involvement and interests in the South China Sea, tensions in the region heightened. Amid the rising tensions, China’s behavior during the Scarborough Shoal incident significantly altered the Philippines’ threat perception of China. As a result, the Philippines resorted to taking unilateral action to challenge China and showed a preference for enhancing its security ties with major powers. Once Duterte came into power, he focused on engaging China bilaterally while maintaining security ties with major powers. This evidence suggests that the U.S.-China rivalry in the South China Sea discouraged the Philippines from taking a collaborative approach with ASEAN to challenge China.

Regarding the hypothesis on the effects of China’s economic influence in Southeast Asia, evidence from this case study suggests that China’s economic influence over the Philippines had a significant effect on Duterte’s decision-making. As Duterte engaged in an appeasement strategy towards China, he received a considerable amount of economic aid from China. Duterte became reluctant to challenge China’s assertive behavior in the South China Sea in favor of receiving economic benefits. Duterte’s bandwagoning

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<sup>129</sup> Nguyen Hong Thao and Nguyen Thi Lan Huong, “The South China Sea Arbitration Award: 5 Years and Beyond,” *The Diplomat*, July 12, 2021, <https://thediplomat.com/2021/07/the-south-china-sea-arbitration-award-5-years-and-beyond/>.

behavior towards China after receiving economic benefits suggests that Duterte prioritized maintaining economic relations with China over settling territorial disputes and potentially straining Sino-Philippine relations. This evidence suggests that China's economic influence over the Philippines' discouraged Duterte from taking a collaborative approach with ASEAN to challenge China.

Regarding the hypothesis on the presence of a collective action dilemma, evidence from this case study suggests that a collective action dilemma exists among ASEAN. After ASEAN showed little support to the Philippines after the Scarborough Shoal incident, it became clear that ASEAN was divided on how to handle China's assertive behavior in the South China Sea. The divergence of interests on South China Sea disputes among ASEAN has prevented ASEAN from taking a collective approach to challenge China. Additionally, the lack of unity among ASEAN had a significant impact on the Philippines' subsequent actions to challenge China.

The findings from this case study suggest that multiple factors have influenced the Philippines' strategy to challenge China's assertiveness in the South China Sea. The Philippines has had to consider security concerns stemming from the U.S.-China rivalry, economic concerns from China's economic influence in the region, and ASEAN's lack of unity regarding South China Sea issues. After taking these factors into account, the Philippines has preferred to act independently from ASEAN and engage with China bilaterally to settle South China Sea issues

## **G. CONCLUSION**

As contention in the South China Sea became a salient issue affecting Philippine foreign policy, Philippine leaders enacted different strategies to address disputes in the region. In determining their strategies to address China's assertiveness in the South China Sea, Philippine leaders had to consider their security relations with other countries in the wake of heightened U.S.-China rivalry in the South China Sea and the Philippines' economic relationship with China. After addressing these factors, Philippines leaders enacted strategies that did not include taking a collaborative approach to challenge China. The Aquino administration acted independently from ASEAN to challenge China's

assertive behavior. In contrast, the Duterte administration sought to appease China and improve Sino-Philippine relations. The main aspect that remained constant between the Aquino and Duterte administrations was the lack of collective action with ASEAN to challenge China.

Although the time scope of this case study is limited to the end of Duterte's presidency, there has been little development that suggests that the Philippines is shifting towards engaging in a collaborative approach to challenge China. Regarding South China Sea issues, Duterte's successor, Bongbong Marcos, has stated that "ASEAN's stand on the territorial status in the South China Sea is clear: countries must follow the United Nations Convention on the Law of the Sea (UNCLOS) and international law."<sup>130</sup> Nevertheless, ASEAN appears to remain divided on South China Sea issues. Instead of challenging China, Marcos has sought to engage with China bilaterally to discuss areas of cooperation and prevent the outbreak of violence in the South China Sea. For example, The Marcos administration is adamant towards finding ways "to proceed with the joint exploration with China of the West Philippine Sea (South China Sea)."<sup>131</sup> Marcos' engagement with China is reminiscent of Duterte, but it remains unclear whether Marcos will continue to maintain cordial relations with China.

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<sup>130</sup> Anna Felicia Bajo, "Marcos: ASEAN wants no violence in South China Sea," GMA News, November 14, 2022, <https://www.gmanetwork.com/news/topstories/nation/851336/marcos-asean-wants-no-violence-in-south-china-sea/story/>.

<sup>131</sup> Catherine S. Valente and Kristina Maralit, "Marcos pushes joint exploration of WPS," The Manila Times, December 2, 2022, <https://www.manilatimes.net/2022/12/02/news/marcos-pushes-joint-exploration-of-wps/1868578>.

### **III. VIETNAM**

#### **A. INTRODUCTION**

Vietnam's status as a one-party state has made the Vietnam Communist Party's (VCP) policy decisions, especially in dealing with South China Sea disputes, relatively consistent throughout the years. Hanoi has sought to regain control of lost territory in the South China Sea, but China's assertive actions within its nine-dash line (9DL) have posed a significant threat to Vietnam's national security and its ability to conduct economic activities in its waters. As a result, the VCP has prioritized defending its current territorial claims in the South China Sea. Compared to the Philippines, Vietnam has taken a softer approach towards challenging China on the international stage. Vietnam has dealt with China through a combination of strategies ranging from economic cooperation and party-to-party dialogue to engaging in strategic partnerships with major powers to balance China. Although Vietnam has often pursued peaceful means to settle disputes in the South China Sea in accordance with UNCLOS, events such as the 2014 oil rig standoff with China and the 2017 incident involving threats from Beijing to attack Vietnamese outposts in the Spratly Islands have caused VCP to readjust its policy towards addressing Chinese assertiveness.

This chapter begins with an overview of Vietnam's claims in the South China Sea. Then, this chapter argues three points: First, it argues that heightened tensions in the South China Sea as a result of the U.S.-China rivalry did not influence Vietnam to take a collaborative approach to challenge China. Rather, Vietnam sought to maintain stable Sino-Vietnamese relations while also balancing China by bolstering its national security and strengthening relationships with major powers. Second, it argues that China's economic superiority has not influenced Vietnam to deviate from its hedging strategy. Vietnam developed significant concerns with China's BRI developments, causing Vietnam to avoid major BRI deals and seek infrastructure financing from other major powers. Lastly, this chapter argues that a collective action dilemma exists among ASEAN and that Vietnam contributes to the dilemma based on the manner in which it engages with China during crises and its adherence to its defense policy.

## **B. THE ORIGIN AND VALIDITY OF VIETNAM’S CLAIMS IN THE SOUTH CHINA SEA**

According to Raul Pedrozo’s legal examination of Vietnam’s territorial claims in the South China Sea, Vietnam claims sovereignty over the entirety of the Paracel Islands, or Hoang Sa, and the Spratly Islands, or Truong Sa, based on “historical evidence, economic development, effective administration, and international recognition.”<sup>132</sup> Non-Vietnamese sources dating back to the 17<sup>th</sup> century reinforce Vietnam’s historical claim to both archipelagos. For example, Portuguese and Dutch maps from this time period identified the Paracel Islands as Vietnamese territory, and a Chinese map published in 1731 did not claim the Paracels or Spratlys as Chinese territory.<sup>133</sup> Vietnam’s historical claims have also been supported by Western literature from the 19th century. Multiple books published during this era depict the Paracels as Vietnamese territory.<sup>134</sup> Historical evidence also suggests that Vietnam systematically exploited the Paracels as early as the 17<sup>th</sup> century. Vietnamese expeditions to the Paracels have been well documented, and they were conducted for over 150 years without objection from China.<sup>135</sup> The presence of multiple independent sources “appear to corroborate Vietnam’s position over that of China, particularly with regard to the Paracels.”<sup>136</sup>

Vietnam has also presented convincing evidence portraying effective administration of the Parcel and Spratly islands before and after French colonial rule. According to historical sources, Vietnamese Emperor Gia Long annexed the Paracels in 1816.<sup>137</sup> Starting in 1835, the Vietnamese ruling regime directed mapping expeditions of the Paracels to enhance navigational safety around the archipelago.<sup>138</sup> These expeditions continued on an annual basis and were not subject to Chinese objection. During the period

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<sup>132</sup> Raul Pedrozo, “China versus Vietnam: An Analysis of the Competing Claims in the South China Sea,” *The Center for Naval Analyses*, August 2014, 37.

<sup>133</sup> *Ibid.*, 109–10.

<sup>134</sup> *Ibid.*, 110.

<sup>135</sup> *Ibid.*

<sup>136</sup> *Ibid.*, 111.

<sup>137</sup> *Ibid.*, 112.

<sup>138</sup> *Ibid.*, 112–113.

of French colonial rule over Vietnam, the French maintained effective occupation and administrative control over South China Sea islands that were previously claimed by the Vietnamese.<sup>139</sup> By 1920, the French started to conduct regular deployments to the Paracels.<sup>140</sup> French and Vietnamese forces continued to occupy the archipelago through 1956.<sup>141</sup>

Regarding the Spratly Islands, France notified other major powers in 1930 that it “had occupied the Spratlys on the grounds that the islands were *terra nullius*.”<sup>142</sup> In 1933, France sent ships to take physical control of the Spratlys and notified that international community that it had effectively occupied the archipelago.<sup>143</sup> After France withdrew from Indochina in 1956, South Vietnam exercised sovereignty over the Spratlys “as the successor state to French claims.”<sup>144</sup> South Vietnam maintained control of the Paracels and Spratlys, but the nature of the Vietnamese civil war prevented South Vietnam from deploying military units to occupy the Spratlys between 1956 and 1973.<sup>145</sup> After unification in 1975, the Socialist Republic of Vietnam claimed sovereignty over the Paracels and Spratlys.

According to Pedrozo’s extensive legal analysis, “Vietnam clearly has a superior claim to the South China Sea islands.”<sup>146</sup> Compared to China, Vietnam’s claims to the Paracels and Spratlys are better founded in history and law.<sup>147</sup> China did not declare sovereignty over the Paracel archipelago until 1909.<sup>148</sup> Conversely, historical documentation confirms that Vietnam annexed the Paracels in 1816. China claim to the

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<sup>139</sup> Ibid., 113.

<sup>140</sup> Ibid.

<sup>141</sup> Ibid., 114.

<sup>142</sup> Ibid., 116.

<sup>143</sup> Ibid.

<sup>144</sup> Ibid., 120.

<sup>145</sup> Ibid., 122.

<sup>146</sup> Ibid., 130.

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

Spratlys has been based on historical documentation as well, but the documentation does not specifically mention of legal occupation.<sup>149</sup> Further, France's annexation of the Spratlys as *terra nullius* in 1933 was valid, for occupation by force was permitted at the time.<sup>150</sup> France later ceded control of the Spratlys to South Vietnam, and control passed to the Socialist Republic of Vietnam in 1975. Despite Vietnam's superior claims to both archipelagos, China illegally took control of the Paracels by force in 1974 and sent forces to occupy several features of the Spratly Islands in 1988.

Although Pedrozo gives much credit to Vietnam's claims over the Paracels and Spratlys, the superiority of Vietnam's claims relies on the validity of the transfer of control of both features from French authority. Bill Hayton suggests that France "has never formally abandoned its claim to the Spratly Islands" and that France claimed the Spratlys "on its own account, not on behalf of Vietnam."<sup>151</sup> Therefore, when examined from a legal perspective, the perceived notion that Vietnam naturally inherited control of the Spratlys after gaining independence could be invalid "unless the French government formally cedes its claims to the Spratlys."<sup>152</sup> In contrast, Hayton infers that Vietnam's natural inheritance of the Paracels from French control is more credible since France's claim to the Paracel Islands "was ostensibly made on behalf of the protectorate of Annam, and later fell to Vietnam."<sup>153</sup>

Based on the evidence that China has provided to justify its claim to the Spratlys, Hayton infers that China's position on the matter is not entirely convincing. Hayton explains that "China's historic claim to the Spratlys relies on references to islands in ancient documents,"<sup>154</sup> Further, these documents provide "no information about exactly what islands are being referred to and nothing that amounts to proof of conquest, cession,

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<sup>149</sup> Bill Hayton, *The South China Sea: The Struggle for Power in Asia* (New Haven: Yale University Press, 2015), 98.

<sup>150</sup> Raul Pedrozo, "China versus Vietnam: An Analysis of the Competing Claims in the South China Sea," 130.

<sup>151</sup> Bill Hayton, *The South China Sea: The Struggle for Power in Asia*, 95.

<sup>152</sup> *Ibid.*, 97.

<sup>153</sup> *Ibid.*, 95.

<sup>154</sup> *Ibid.*, 97.

occupation, prescription or accretion.”<sup>155</sup> This evidence relates to the findings in the previous chapter, for it reinforces the argument that Wu Shicun’s reference to China’s historic rights in the South China Sea have no legal basis. Wu insists that China has “legitimate rights” to entirety of the South China Sea, but he never specifies those rights.<sup>156</sup>

Regarding China’s claim to the Paracels, Hayton provides evidence that supports China’s position. After Sun Yat-sen and his allies established a rival government in the southern provinces of China in 1917, “the authorities in southern China are said to have carried out a number of actions that form the basis of Chinese sovereignty claims over the Paracel Islands.”<sup>157</sup> Hayton explains that this southern administration “placed the islands under the nominal administration of Hainan Island in 1921 and then granted permits for the extraction of guano.” During Chinese patrols to the Paracels in 1923 and 1927, French authorities did not challenge China’s actions.<sup>158</sup> Consequently, this inaction by the French “is now used as evidence of French acquiescence to Chinese sovereignty.”<sup>159</sup>

The contrasting evidence from Pedrozo and Hayton’s analyses suggests that it is difficult to legally determine whether Vietnam or China has a superior claim to the Paracels and Spratlys. Vietnam and China’s separate historic claims to both island chains are relatively weak from a legal standpoint, but both countries have presented credible evidence suggesting legal occupation and administration. Although the legal administration of the Paracels and Spratlys remains undetermined, China’s assertive behavior in and around both archipelagos poses a threat to Vietnam’s national security.

### **C. EFFECTS OF THE U.S.-CHINA RIVALRY ON VIETNAM**

After the DoC was implemented in 2002, Vietnam sought to foster a cooperative relationship with China and promote a peaceful approach towards resolving South China

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<sup>155</sup> Ibid., 98.

<sup>156</sup> Wu Shicun, “Is the Nine-Dash Line in the South China Sea Legal?,” China U.S. Focus, March 6, 2014, <https://www.chinausfocus.com/peace-security/is-the-nine-dash-line-in-the-south-china-sea-legal>

<sup>157</sup> Bill Hayton, *The South China Sea: The Struggle for Power in Asia*, 98.

<sup>158</sup> Ibid.

<sup>159</sup> Ibid.

Sea disputes. In 2003, the VCP “made the momentous decision to downgrade socialist ideology as the prime basis for conducting relations with China.”<sup>160</sup> This decision was influenced by the salience of maritime disputes with China in the South China Sea and the normalization of U.S.-Vietnamese relations. In the same year, the VCP issued Resolution No. 8, which “sanctioned cooperation with both friendly and opposing countries and struggling against any country that harmed Vietnam’s national interests.”<sup>161</sup> This resolution laid the foundation for the VCP’s strategy towards cooperating with China on South China Sea issues. The VCP sought to “cooperate” with China to prevent any strain on the bilateral relationship between both countries, while at the same time, the party was also willing to “struggle” against China to protect its sovereignty and autonomy.

While Vietnam strengthened its ties with China through bilateral agreements and negotiations between high level officials, the VCP also engaged in balancing measures, such as increasing defensive spending to upgrade its military and maritime law enforcement capabilities. Although the VCP hoped to maintain stable relations with China, the Party was not blind to China’s assertive behavior in the South China Sea since they had lost more features than any other claimant. After the United States asserted its interests in the Western Pacific starting in 2011 under the pivot, Vietnam did not deviate much from its hedging strategy towards China. Rather than taking a collaborative approach with ASEAN to challenge China, Vietnam relied on bilateral negotiations with China to settle disputes peacefully while also balancing internally in the case that China challenged Vietnamese sovereignty. Even though Vietnam remained true to its hedging strategy after the U.S. pivot to Asia, the United States’ vested interest in the region presented Vietnam with the opportunity to bolster its security ties with the United States and its allies as a contingency for China’s rising assertiveness.

The following subsections explore the continuity of the VCP’s South China Sea strategy from 2002 through 2021. This section argues that heightened tensions in the South

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<sup>160</sup> Carlyle A. Thayer, “Vietnam’s Strategy of ‘Cooperating and Struggling’ with China over Maritime Disputes in the South China Sea,” *Journal of Asian Security and International Affairs* Vol. 3 Issue 2, 24 July 2016, 210.

<sup>161</sup> Ibid.

China Seas as a result of the U.S.-China rivalry did not influence Vietnam to take a collaborative approach to challenge China. Rather, Vietnam sought to maintain stable Sino-Vietnamese relations while also balancing China by bolstering its national security and strengthening relationships with major powers.

## **1. Contemporary Tensions with China**

The implementation of the DoC influenced Vietnam to cooperate with China towards settling maritime disputes in the South China Sea and strengthening bilateral ties. The DoC's intent on influencing peaceful resolutions to disputes in the South China Sea proved to be successful for Vietnam in the first decade of its implementation. Even before the DoC was implemented, Vietnam and China had a history of cooperation. Between 1993 and 2000, both countries negotiated the delimitation of the Gulf of Tonkin.<sup>162</sup> In 2000, Vietnam and China agreed to ratify agreements that demarcated the waters in the region. In 2004, China and Vietnam ratified a second agreement that outlined fishing cooperation guidelines in the gulf. The ratification of these agreements signified that both countries were willing to “settle disputes left by the history of their bilateral relations,” and it displayed the capacity for both countries to engage in more areas of cooperation in the South China Sea.<sup>163</sup> Both countries also conducted joint patrols and engaged in oil and gas development in the Gulf of Tonkin.<sup>164</sup> In 2005, Vietnam joined the Philippines and China in a trilateral agreement mentioned in the previous chapter that “was designed to conduct seismic exploration in an area spanning 142,886 square kilometers west of Palawan.”<sup>165</sup> Domestic turmoil in the Philippines eventually led to the termination of the agreement in 2008. In the same year, Vietnam strengthened Sino-Vietnamese relations by establishing a comprehensive strategic partnership with China. Under the framework of the partnership,

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<sup>162</sup> Nguyen Hong Thao, “Maritime Delimitation and Fishery Cooperation in the Tonkin Gulf,” *Ocean Development & International Law* Vol. 36, No. 1, 24 February 2007, 28.

<sup>163</sup> *Ibid.*, 33.

<sup>164</sup> “Vietnam Tacks Between Cooperation and Struggle in the South China Sea,” International Crisis Group, December 7, 2021, 10.

<sup>165</sup> Ernest Z. Bower, “The JMSU: A Tale of Bilateralism and Secrecy in the South China Sea,” Center for Strategic and International Studies, July 27, 2010, <https://www.csis.org/analysis/jmsu-tale-bilateralism-and-secrecy-south-china-sea>.

Vietnam has maintained “a vast network of engagement mechanisms with China, including regular visits with senior leaders, the Steering Committee on Vietnam-China Bilateral Cooperation, and various arrangements between the countries’ government ministries and communist parties’ commissions.”<sup>166</sup> However, Vietnam’s warm relations towards China diminished slightly in 2009.

To clarify its legal position on maritime features in the South China Sea, Vietnam filed a joint submission with Malaysia to the United Nations (UN) Commission on the Limits of the Continental Shelf in May 2009. Vietnam and Malaysia sought to “extend their continental shelves beyond the standard two hundred nautical miles from their coastlines” by submitting claims in accordance with Article 76 of UNCLOS.<sup>167</sup> Due to the moderately provocative nature of the submission, China responded immediately by stating that it “has indisputable sovereignty over the islands in the South China Sea and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof.”<sup>168</sup> Along with this statement, China submitted a map displaying its 9DL in the South China Sea. This was the first time that China submitted this map to the UN, but it had made its 9DL claim as early as 1948. From this point onward, Vietnam continued to maintain a cooperative relationship with China, but Hanoi remained wary of China’s rise to power. As a result, Vietnam increased its efforts to balance China by improving its military and maritime capabilities. Vietnam’s defense spending averaged approximately 2.62 per cent of its GDP from 2010 to 2018.<sup>169</sup> By 2018, Vietnam’s defense budget made it the “35<sup>th</sup> largest military spender in the world,” and no other claimant countries were higher on the list.<sup>170</sup>

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<sup>166</sup> Ibid.

<sup>167</sup> “Timeline: China’s Maritime Disputes,” Council on Foreign Relations, <https://www.cfr.org/timeline/chinas-maritime-disputes>.

<sup>168</sup> Ban Ki-Moon, 7 May 2009, [https://www.un.org/depts/los/clcs\\_new/submissions\\_files/vnm37\\_09/chn\\_2009re\\_vnm.pdf](https://www.un.org/depts/los/clcs_new/submissions_files/vnm37_09/chn_2009re_vnm.pdf).

<sup>169</sup> “Vietnam Tacks Between Cooperation and Struggle,” International Crisis Group, 11.

<sup>170</sup> Ibid.

Despite the VCP's concerns over China's resolve to assert its 9DL claim, Vietnam continued to engage China bilaterally to discuss military cooperation and negotiate border and territorial issues. Vietnam and China participated in "the exchange of visits by high-ranking officers, combined naval patrols and port calls, combined patrols along the land border, officer training programs and scientific cooperation between military research institutions."<sup>171</sup> Both countries conducted 60 military cooperation activities between 2003 and 2016.<sup>172</sup> Vietnam has conducted biannual government-level negotiations with China through three working groups. These working groups focus on the South China Sea, fisheries management, human assistance and disaster relief, and areas for increased mutual economic development.<sup>173</sup> Most notably, Vietnam and China signed an agreement in 2011 addressing government-to-government negotiations on maritime disputes in the South China Sea. According to the agreement, both countries committed to "'seek basic and long-standing solutions acceptable to both sides for sea-related disputes on the basis of international law' and resolve their maritime disputes through friendly talks and negotiations."<sup>174</sup> This agreement served as a compliment to the DoC and provided Hanoi with an additional hotline mechanism to peacefully settle maritime disputes with China. Although both parties continued to build on the momentum of cooperation, China's assertive behavior against Vietnam in 2014 posed a significant challenge to VCP.

Vietnam's threat perception of China changed significantly after the oil rig standoff in 2014. Throughout the standoff, Vietnam implemented a strategy that focused on "struggling" against China. In May 2014, "China deployed the mega oil exploration platform HYSY 981 in Vietnam's EEZ."<sup>175</sup> By deploying the oil rig within Vietnam's EEZ, China acted unexpectedly and provocatively because "there was no palpable provocation by Vietnam that could justify China's actions," and China acted without

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<sup>171</sup> Ibid., 10.

<sup>172</sup> Ibid.

<sup>173</sup> Ibid.

<sup>174</sup> Carlyle A. Thayer, "Vietnam's Strategy of 'Cooperating and Struggling' with China," 211.

<sup>175</sup> Ibid., 212.

Vietnam's consent.<sup>176</sup> As a result, Vietnam dispatched coast guard vessels and its Fisheries Resources Surveillance (VFRS) forces to prevent the Chinese oil rig from maintaining its position and disrupt its operations.<sup>177</sup> China responded by deploying its coast guard vessels, civilian fishing ships, and Chinese naval vessels to protect the oil rig. As tensions heightened, several Vietnamese and Chinese vessels collided with one another. Vietnam initially attempted to cooperate with China to settle the dispute expeditiously, but it received no reply from China after making over 30 diplomatic overtures.<sup>178</sup> China eventually withdrew its oil rig after realizing that it could not coerce Vietnam to concede to its demands. This incident revealed two significant points: First, Vietnam realized that its "political and economic engagement with China is insufficient to fully protect its interests in the South China Sea."<sup>179</sup> Second, Vietnam did not want the incident to escalate "to the point of an armed clash with superior Chinese military forces and/or provoking China to seize a feature that Vietnam presently occupied."<sup>180</sup> After the standoff, Vietnam came to the realization that balancing internally and maintaining cordial relations with China would not prevent future acts of Chinese assertiveness.

Despite strained Sino-Vietnamese relations after the 2014 incident, the VCP continued to tolerate Chinese assertiveness for the sake of maintaining stable Sino-Vietnamese relations. Most notably, Vietnam displayed a reluctance to challenge China during the Vanguard Bank standoff that started in July 2019. At the beginning of the incident, Beijing deployed "the geological survey ship *Haiyang Dizhi 8* and armed coast guard escorts" to stop Vietnam-sanctioned foreign drilling operations near the Spratly Islands.<sup>181</sup> After several weeks of inaction from Hanoi, the Vietnamese foreign ministry

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<sup>176</sup> Ibid.

<sup>177</sup> Michael Green, Kathleen Hicks, Zack Cooper, John Schaus, and Jake Douglass, "Counter-Coercion Series: China-Vietnam Oil Rig Standoff," Asia Maritime Transparency Initiative, June 12, 2017, <https://amti.csis.org/counter-co-oil-rig-standoff/>.

<sup>178</sup> Carlyle A. Thayer, "Vietnam's Strategy of 'Cooperating and Struggling' with China," 213.

<sup>179</sup> "Vietnam Tacks Between Cooperation and Struggle," International Crisis Group, 11.

<sup>180</sup> Carlyle A. Thayer, "Vietnam's Strategy of 'Cooperating and Struggling' with China," 213.

<sup>181</sup> Derek Grossman, "Vietnam Needs to 'Struggle' More in the South China Sea," RAND Corporation, November 15, 2019, <https://www.rand.org/blog/2019/11/vietnam-could-struggle-more-in-the-south-china-sea.html>.

issued multiple escalatory statements identifying China “by name as the aggressor and demanded that China ‘IMMEDIATELY STOP’ the camping out near Vanguard Bank and zigzagging through Vietnam’s [EEZ].”<sup>182</sup> The drilling operations ceased in October, and the *Haiyang Dizhi 8* left Vietnam’s EEZ shortly afterward. Although Vietnam claimed to have stood its ground, it did nothing more than express its discontent with China’s actions. Further, Vietnam sought to cooperate with China during the crisis by authorizing its Minister of National Defense to attend China’s Xiangshan Forum and by conducting the second annual joint coast guard patrols in the Gulf of Tonkin.<sup>183</sup> Vietnam’s behavior throughout the standoff displayed the VCP’s reluctance to strain Sino-Vietnamese relations, even in times of crisis.

## **2. Cooperative Efforts with the United States**

Increased U.S. presence in the Western Pacific did not have a significant impact on Vietnam’s bilateral engagement with China, but it presented Vietnam with the opportunity to strengthen defense ties with the United States and its allies. During the 2014 oil rig standoff, senior U.S. officials publicly encouraged Vietnam to pursue international arbitration like the Philippines.<sup>184</sup> Hanoi chose not to collaborate with the international community so as not to overly provoke Beijing, but it won a public relations battle that showcased China’s assertiveness. As a result, Vietnam sought to strengthen its relations with the United States to strengthen its ability to balance China. This intent was a manifestation of the VCP’s issuance of Resolution 28 in 2013, which stressed that “Vietnam must find ways of ‘enhancing the cooperation to create intertwined strategic interests between [Vietnam] and others, especially large powers, strategic partners, neighbors and regional countries; avoiding conflicts, confrontation, isolation, and dependence.’”<sup>185</sup>

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<sup>182</sup> Ibid.

<sup>183</sup> Ibid.

<sup>184</sup> Michael Green, Kathleen Hicks, Zack Cooper, John Schaus, and Jake Douglass, “Counter-Coercion Series: China-Vietnam Oil Rig Standoff.”

<sup>185</sup> Derek Grossman, “Regional Responses to U.S.-China Competition in the Indo-Pacific,” RAND Corporation, 2020, 10, [https://www.rand.org/pubs/research\\_reports/RR4412z6.html](https://www.rand.org/pubs/research_reports/RR4412z6.html).

Vietnam established a comprehensive partnership with the United States in 2013, and both countries continued to deepen their defense relationship going forward. The outcome of the 2014 oil rig standoff revealed to Vietnam that internal balancing was not entirely sufficient to protect Vietnam from Chinese assertiveness in the future. Vietnamese-U.S. relations continued to develop in 2015 when both countries “adopted a joint vision statement that included plans for a program of U.S. assistance designed to improve Hanoi’s [maritime domain awareness] capabilities.”<sup>186</sup> In 2018, the USS Carl Vinson visited Vietnam for the first time for any carrier visit since the end of the Vietnam War, and the USS Theodore Roosevelt conducted a port visit in 2020. These carrier visits were significant indicators of Vietnam’s growing security relationship with the United States.<sup>187</sup>

Despite improvements in Vietnamese-U.S. relations as a result of Chinese assertiveness in the South China Sea, Vietnam refrained from leveraging its comprehensive partnership with the United States to challenge China. Although the United States showed support to Vietnam during the 2014 oil rig standoff by holding discussion with Vietnamese leaders and publicly encouraging Vietnam to take legal action against China, Vietnam sought to engage with China bilaterally and avoided pursuing international arbitration. Vietnam acted similarly throughout the 2019 Vanguard Bank standoff. Although the United States offered rhetorical support to Vietnam during the incident by releasing a statement that “described China’s behavior as ‘bullying,’” Vietnam dealt with China on its own terms.<sup>188</sup>

Vietnam’s actions during the 2014 and 2019 crises indicate that Vietnam is hesitant to rely solely on U.S. support to challenge China, but language in Vietnam’s 2019 defense

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<sup>186</sup> Derek Grossman, “Regional Responses to U.S.-China Competition in the Indo-Pacific,” 37.

<sup>187</sup> Lucio Blanco Pitlo III, “What Does a Second U.S. Carrier Visit Mean for U.S.-Vietnam Relations?,” Asia Maritime Transparency Initiative, March 25, 2020, <https://amti.csis.org/what-does-a-second-u-s-aircraft-carrier-visit-mean-for-u-s-vietnam-relations/>.

<sup>188</sup> Ankit Panda, “US Slams China’s ‘Bullying’ Amid Vanguard Bank Oil Exploration Standoff With Vietnam,” The Diplomat, July 22, 2019, <https://thediplomat.com/2019/07/us-slams-chinas-bullying-amid-vanguard-bank-oil-exploration-standoff-with-vietnam/>.

White Paper suggests that it supports U.S. presence in the Western Pacific.<sup>189</sup> Although Vietnam has implicitly expressed support for the United States' Indo-Pacific strategy, "it does not want to see the U.S.-China relations become so adversarial that the dynamic forces Vietnam to choose between the two powers."<sup>190</sup> As such, Vietnam has been cautious not to grow too close to United States so as not to overly provoke China.

Although Vietnam did not deviate from its hedging strategy towards China after the U.S. pivot to the Western Pacific, Hanoi gravitated towards strengthening its relationship with the United States as a contingency for China rising assertiveness. Vietnam has not leveraged its comprehensive partnership to challenge China, and it has refrained from elevating the partnership to avoid overly provoking China. Vietnam's efforts to strengthen security ties with the United States supports the hypothesis that the U.S.-China rivalry in the Western Pacific has discouraged claimant countries from taking a collaborative approach to challenge China.

### **3. Cooperative Efforts with Other International Powers**

Vietnam also improved key partnerships with other major powers such as Japan, India, and Australia to balance China. In 2015, Vietnam and Japan produced a joint vision statement that "codified cooperation on nontraditional security issues, such as maritime security, [search and rescue], and [peacekeeping operations]."<sup>191</sup> Both countries engaged in joint exercises to combat illegal fishing in 2017, and the Vietnamese defense minister visited Japan in 2019 to reiterate "the importance of deepening bilateral defense cooperation."<sup>192</sup>

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<sup>189</sup> Derek Grossman, "What Does Vietnam Think About America's Indo-Pacific Strategy?," The Diplomat, August 5, 2020, <https://thediplomat.com/2020/08/what-does-vietnam-think-about-americas-indo-pacific-strategy/>.

<sup>190</sup> Derek Grossman, "What Does Vietnam Want from the U.S. in the South China Sea?," The Diplomat, January 4, 2021, <https://thediplomat.com/2021/01/what-does-vietnam-want-from-the-us-in-the-south-china-sea/>.

<sup>191</sup> Derek Grossman, "Regional Responses to U.S.-China Competition in the Indo-Pacific," 50.

<sup>192</sup> Ibid.

In 2016, Vietnam and India elevated their relationship to a comprehensive strategic partnership, and Indian Prime Minister Narendra Modi announced “a \$500 million line of credit for Vietnam to purchase defense equipment from India.”<sup>193</sup> Furthermore, both countries issued a joint statement in 2018 that pledged to deepen defense and security cooperation in various areas.<sup>194</sup> In the same year, Vietnam and Australia elevated their status from comprehensive partnership to a strategic partnership.<sup>195</sup> During Vietnam and Australia’s sixth annual Foreign Affairs and Defense Strategic Dialogue, both countries “reiterated their intent to boost defense cooperation and to uphold freedom of navigation in the spirit of UNCLOS.”<sup>196</sup>

In addition to strengthening its relationship with the United States, Vietnam has displayed a preference to strengthen its ties with major powers as a contingency for China’s rising assertiveness. As mentioned in the previous chapter, Vietnam and the Philippines established a comprehensive partnership in 2015, but both countries did not leverage their partnership to challenge China. Vietnam’s preference to strengthen ties with major powers supports the hypothesis on the effects of the U.S.-China rivalry on Southeast Asia. Rather than taking a collaborative approach with ASEAN to challenge China, Vietnam has relied on major powers to bolster its national security.

#### **4. Assessment of Findings**

Vietnam’s cooperative efforts since the implementation of DoC were mainly focused on building bilateral relations with China. Despite China’s growing assertiveness after the U.S. pivot to Asia, the VCP maintained its hedging strategy towards China. Sino-Vietnamese relation were relatively stable until the 2014 oil rig incident. After realizing that internal balancing and regular bilateral engagement with China was not enough to

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<sup>193</sup> Ibid., 46.

<sup>194</sup> Ibid.

<sup>195</sup> “Joint Statement on the Establishment of a Strategic Partnership between Australia and Viet Nam,” Australian Government Department of Foreign Affairs, March 15, 2018, <https://www.dfat.gov.au/geo/vietnam/Pages/joint-statement-on-the-establishment-of-a-strategic-partnership-between-australia-and-viet-nam>.

<sup>196</sup> Derek Grossman, “Regional Responses to U.S.-China Competition in the Indo-Pacific,” 51.

protect against Chinese assertiveness in the future, Vietnam started to engage other major powers more frequently. This indicates a significant change in Vietnam's threat perception of China and displays how the standoff altered the VCP's decision to address security concerns vis-a-vis China by strengthening defense ties with major powers. Although Vietnam has bolstered its security relationships with the United States and its allies in recent years, it nevertheless remains cautious towards degrading its relationship with China. Vietnam's past interactions with China and other major powers supports the hypothesis on the effects of the U.S.-China on Southeast Asia. Increased U.S. presence in the Western Pacific has discouraged Vietnam from taking a collaborative approach to challenge China.

#### **D. CHINA'S ECONOMIC INFLUENCE ON VIETNAM AND THE EFFECTS OF THE BRI**

Vietnam has become increasingly dependent on its economic relationship with China in the past decade. However, Vietnam has also remained wary of China's motives regarding the Belt and Road Initiative (BRI). In 2008, Vietnam raised the status of its relationship with China to a "*comprehensive strategic cooperative partnership*—the highest form of partnership that Hanoi grants to major-power countries."<sup>197</sup> Since then, Vietnam has prioritized engaging with China on joint confidence-building measures and economic development. As a reflection of this amity, China has become Vietnam's top trading partner. In 2020, Chinese imports to Vietnam amounted to US\$84.2 million with a partner share of 32.3 percent.<sup>198</sup> Additionally, Chinese foreign direct investment (FDI) to Vietnam rose significantly after Vietnam become an active participant in China's BRI in 2017. Between 2017 and 2020, Chinese FDI to Vietnam increased from US\$764 million to US\$1.875 billion.<sup>199</sup> This section argues that China's economic leverage over Vietnam

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<sup>197</sup> Ibid., 25.

<sup>198</sup> "Vietnam top 5 Export and Import partners 2020," World Integrated Trade Solution, Oct 30, 2022, <https://wits.worldbank.org/CountrySnapshot/en/VNM/textview#:~:text=Vietnam%20exports%20to%20China%20worth,partner%20share%20of%206.85%20percent>.

<sup>199</sup> "Annual FDI flows from China to Vietnam 2010–2020," Statista, January 4, 2022, <https://www.statista.com/statistics/720408/china-outward-fdi-flows-to-vietnam/>.

has not influenced Vietnam to deviate from its hedging strategy. However, Vietnam has continued to support the BRI despite lingering tensions from the 2014 oil rig crisis and perceived concerns regarding the risks of BRI funding.

### **1. Vietnam's Economic Relationship with China**

After Vietnam became a BRI participant in 2017, it continued to implement its hedging strategy towards China with an increased emphasis on balancing measures. In May 2017, Vietnamese President Tran Dai Quang “welcomed the BRI along with efforts to promote economic and regional connectivity” at the Belt and Road Forum for International Cooperation in Beijing.<sup>200</sup> Later that year, Vietnam and China signed a Memorandum of Understanding (MOU) that promoted the connection “between the original ‘Two Corridors, One Belt’ (TCOB) framework and the BRI.”<sup>201</sup> By signing the MOU, Vietnam formally displayed its support for the BRI. However, Vietnam remained wary of branding the TCOB as part of the BRI due to increased anti-China sentiments stemming from “recent tensions over the South China Sea disputes, especially following the 2014 oil rig crisis.”<sup>202</sup> As anti-Chinese protests broke out in Vietnam during the 2014 crisis, “Beijing responded by freezing its financing for power projects in Vietnam.”<sup>203</sup> China’s response to the domestic unrest in Vietnam revealed that “the PRC would use leverage provided by broad interdependence to achieve its goals.”<sup>204</sup> By promoting the BRI, Vietnam sought to cooperate with China in order to maintain stable bilateral relations. At the same time, Vietnam expressed distrust towards China and sought to increase its balancing measures by strengthening ties with major powers. As portrayed in the previous section, Vietnam improved its security ties with the United States, Japan, India, and Australia from 2017 onward.

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<sup>200</sup> Le Hong Hiep, “The Belt and Road Initiative in Vietnam: Challenges and Prospects,” ISEAS, March 29, 2018, 3, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2018\\_18@50.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_18@50.pdf).

<sup>201</sup> Ibid.

<sup>202</sup> Ibid.

<sup>203</sup> David Lampton, Selina Ho, and Cheng-Chee Kuik, *Rivers of Iron* (Oakland: University of California Press, 2020), 149.

<sup>204</sup> Ibid.

As China implemented the BRI throughout Asia, Vietnam developed concerns relating to the risks of accepting BRI funding, causing it to take steps to avoid BRI projects. Despite the availability of BRI loans and Vietnam's demand for infrastructure development, Vietnam has refrained from permitting China to establish BRI projects within the country. The only official BRI-funded project that Vietnam accepted was the Hanoi metro system.<sup>205</sup> Vietnam has expressed considerable concern over this project due to its increased budget (US\$553 million to US\$868 million) and protracted completion time.<sup>206</sup> Vietnam has grown increasingly dependent on China economically, and its estimated debt to China "has reached \$6 billion as of 2018, possibly leading Vietnam into a Chinese debt trap."<sup>207</sup> Vietnamese officials voiced their concerns over the risks of trade deficits and official development assistance (ODA) loans from China. The VCP applied this sentiment towards BRI funding. To highlight Vietnam's distrust towards Chinese infrastructure activity within its borders, the Chinese construction value in Vietnam from 2005 to 2013 was approximately \$15.7 billion.<sup>208</sup> The value steeply decreased to \$3.5 billion between 2014 and 2018.<sup>209</sup>

In order to avoid the risk of increasing its debt to China, Vietnam looked elsewhere for infrastructure financing. Specifically, Vietnam relied on Japanese funding to construct a separate metro project in Ho Chi Minh City. The general public in Vietnam perceived that the use of Japanese contractors and technologies was much more trustworthy than relying on China.<sup>210</sup> Moreover, the general public in identified numerous issues with Chinese construction projects in Vietnam to include "complaints of poor standards, haphazard design, and safety fears of an agglomeration of Chinese enclaves on Vietnamese soil as large numbers of Chinese workers enter Vietnam."<sup>211</sup> The risk of raising its

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<sup>205</sup> Derek Grossman, "Regional Responses to U.S.-China Competition in the Indo-Pacific," 30.

<sup>206</sup> Ibid.

<sup>207</sup> Ibid., 29.

<sup>208</sup> Ibid., 30.

<sup>209</sup> Ibid.

<sup>210</sup> Le Hong Hiep, "The Belt and Road Initiative in Vietnam," 4.

<sup>211</sup> David Lampton, Selina Ho, and Cheng-Chee Kuik, *Rivers of Iron*, 149.

indebtedness to China influenced Vietnam to avoid BRI projects and explore financing options from other major powers. In addition to Japan, Vietnam has sought to improve economic ties with the United States, South Korea, and the European Union.<sup>212</sup> Rather than bandwagon with China to gain access to BRI loans, Vietnam chose to balance China by diversifying its infrastructure financing with other major powers.

## **2. Assessment of Findings**

As Vietnam developed stronger bilateral ties with China in the past decade, China's economic influence over Vietnam grew significantly. The risks of being caught in a Chinese debt trap and lingering sentiments from the 2014 oil rig standoff caused Vietnam to distrust Chinese ODA and BRI-related loans. Although Vietnam became an official BRI partner in 2017, it refrained from accepting BRI projects within its borders and looked to other major powers for infrastructure financing. China's response to the anti-Chinese protests in Vietnam during the 2014 oil rig standoff revealed China's determination to assert its economic influence over Vietnam. As a result, Vietnam made the diplomatic decision to support the BRI to maintain stable economic relations with China. This behavior supports the hypothesis that China's has significant influence over Southeast Asian countries.

### **E. HOW VIETNAM CONTRIBUTES TO A COLLECTIVE ACTION DILEMMA**

Similar to the Philippines' position after the Scarborough Shoal standoff in 2012, the general disinterest among the majority of ASEAN members to support claimant countries in South China Sea disputes has influenced Vietnam to engage with China on its own. This behavior is consistent with Kenneth Oye's criteria for a collective action dilemma, for the relatively large number of members within ASEAN has made it difficult for mutual interests to align. ASEAN's actions during the 2014 oil rig standoff and the 2019 Vanguard Bank incident portray the divergence in interests among ASEAN and its overall lack of unity towards challenging China. After Vietnam requested support from

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<sup>212</sup> Derek Grossman, "Regional Responses to U.S.-China Competition in the Indo-Pacific," 40.

ASEAN during the 2014 oil rig standoff, ASEAN followed up by issuing “a stand-alone statement which, for the first time since the 1995 Mischief Reef Crisis, expressed ‘serious concerns’ at the situation in the South China Sea.”<sup>213</sup> Although ASEAN responded to Vietnam’s request, its statement did not “single China out for criticism, nor did it mitigate the crisis.”<sup>214</sup> During the 2019 Vanguard Bank incident, Vietnam sought to receive diplomatic support to challenge China during the 52<sup>nd</sup> ASEAN Foreign Ministers’ Meeting (AMM). Vietnam was only able to secure “tougher language in an implicit reference to China’s recent actions” within the AMM Joint Communiqué.<sup>215</sup> ASEAN’s lack of support to Vietnam during crises with China suggest that ASEAN remains divided on South China Sea disputes and that ASEAN is reluctant to explicitly challenge China.

Among a divided ASEAN, Vietnam has shown the resolve to challenge China’s assertive behavior in the South China Sea. Despite the implementation of the DoC and Vietnam’s separate bilateral agreement with China to settle maritime disputes, China has disregarded these de-escalatory mechanisms and acted assertively in the South China Sea against Vietnam and other claimant countries. Vietnam has shown a reluctance to challenge China’s actions and has stayed true to its hedging strategy. The manner in which Vietnam engages with China during crises and the nature of its defense policy contribute to the collective action dilemma among ASEAN.

Vietnam’s actions during past crises with China depict Vietnam’s desire to handle disputes with China on its own terms. During the 2014 oil rig standoff and the 2019 Vanguard bank crisis, China attempted to assert its presence in Vietnam’s EEZ. In both crises, Vietnam felt that China’s actions violated its territorial integrity. As a result, Vietnam acted on its own accord to challenge China instead of leveraging its relationship with the Philippines and other ASEAN countries to challenge China. Vietnam’s preference

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<sup>213</sup> Ian Storey, “The Sino-Vietnamese Oil Rig Crisis: Implications for the South China Sea Dispute,” *ISEAS Yusof Ishak Institute*, October 15, 2014, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2014\\_52.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2014_52.pdf).

<sup>214</sup> Ibid.

<sup>215</sup> Lye Liang Fook and Ha Hoang Hop, “The Vanguard Bank Incident: Developments and What Next?,” *ISEAS Yusof Ishak Institute*, September 4, 2019, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2019\\_69.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_69.pdf).

to handle disputes with China bilaterally suggests that a majority of ASEAN members have little to no interest in taking sides in territorial disputes in the South China Sea.

Vietnam's adherence to its four-nos and one-depend policy, as outlined in its 2019 defense White Paper, prevents it from establishing critical regional and international alliances to challenge China. The defense White Paper expressed a negative tone towards China by referencing China's "destabilizing behavior in the South China Sea."<sup>216</sup> For instance, the paper reads "divergences between Vietnam and China regarding sovereignty in the East Sea [South China Sea] are of historical existence which need to be settled with precaution, avoiding negative impacts."<sup>217</sup> Although the defense White Paper portrays Vietnam's increased distrust towards China, Vietnam's defense policy restricts the creation of formal alliances with other countries. Vietnam's defense policy is "essentially a means by which Vietnam circumscribes its international behavior to avoid provoking China."<sup>218</sup> As such, Vietnam's adherence to its defense policy contributes to the collective action dilemma.

## **F. FINAL ASSESSMENT**

Based on the findings for each of the three working hypotheses, this section argues that the evidence from this case study supports each hypothesis.

Regarding the hypothesis on the effects of the U.S.-China rivalry in Southeast Asia, evidence from this case study suggests that the rivalry has had a negative effect on Vietnam's efforts to take a collaborative approach to challenge China. Initially, increased U.S. interest did not have a significant effect on Vietnam hedging strategy towards China. Vietnam sought to build stable Sino-Vietnamese relations through military cooperation and bilateral engagement. Vietnam started to increase its internal balancing measures after China expressed the determination to defend its 9DL claim to the UN in 2009. After the

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<sup>216</sup> Derek Grossman and Christopher Sharman, "How to Read Vietnam's Latest Defense White Paper: A Message to Great Powers," War on the Rocks, December 31, 2019, <https://warontherocks.com/2019/12/how-to-read-vietnams-latest-defense-white-paper-a-message-to-great-powers/>.

<sup>217</sup> Ibid.

<sup>218</sup> Ibid.

2014 oil rig crisis, Vietnam realized that internal balancing and political engagement with China were not sufficient to protect its interests in the South China Sea. As a result, Vietnam sought to bolster its relationships with the United States and other major powers to balance China.

Regarding the hypothesis on the effects of China's economic influence in Southeast Asia, evidence from this case study suggests that China's economic influence over Vietnam has a significant effect on the VCP's decision to maintain stable economic relations with China. The risk of getting entangled into a Chinese debt trap and lingering distrust from the 2014 oil rig incident caused Vietnam to distrust Chinese loans and investment. However, Vietnam made the diplomatic decision to support the BRI to maintain stable economic relations with China. Although Vietnam sought to avoid the risk of increasing its debt to China, it relied heavily on China's economy.

Regarding the hypothesis on the presence of a collective action dilemma, evidence from this case study suggests that a collective action dilemma exists, and that Vietnam contributes to the dilemma. ASEAN's behavior during the 2014 oil rig standoff and the 2019 Vanguard Bank incident displayed ASEAN's lack of unity towards challenging China. Although ASEAN appeared to support Vietnam during the 2014 standoff by delivering a statement, the statement failed to explicitly criticize China's behavior. Further, ASEAN did not offer Vietnam much support during the 2019 Vanguard Bank incident. As a result of the divergence of interests among ASEAN regarding South China Sea disputes, Vietnam sought to challenge China on its own and engaged in behavior that contributed to the dilemma.

The findings from this case study suggest that multiple factors have affected the VCP's strategy to challenge China's assertiveness in the South China Sea. Vietnam has had to adjust its hedging strategy towards China based on increased tensions in the South China Sea due to the U.S.-China rivalry, its distrust towards China's growing economic influence, and ASEAN's lack of unity regarding South China Sea issues. These factors have influenced Vietnam to bilaterally engage with China to settle South China Sea disputes instead of taking a collaborative approach with ASEAN to challenge China.

## **G. CONCLUSION**

In the decade after the DoC took effect, Vietnam invested significant effort in strengthening its relationship with China. For example, Vietnam raised the status of its relationship with China to a comprehensive strategic partnership in 2008. Additionally, Vietnam and China signed off on an agreement in 2011 to settle maritime disputes bilaterally through friendly talks and negotiations. As Vietnam increased its cooperative efforts with China, the VCP developed a cooperation and struggle strategy that governed how it would respond to Chinese assertiveness. The U.S. pivot to Asia in 2011 did not affect Vietnam's hedging strategy. However, increased U.S. presence in the Western Pacific intensified the U.S.-China rivalry and transformed the South China Sea into a region influenced by great power competition. Vietnam continued to maintain stable relations with China despite China's growing assertiveness in the South China Sea. The oil rig standoff between Vietnam and China in 2014 played a significant role in altering Vietnam's threat perception of China. As a result, Vietnam increased it strengthened its security partnerships with major powers instead of taking a collaborative approach with ASEAN to challenge China.

As Vietnam strengthened its bilateral relationship with China, its economic dependence on China increased. China has become Vietnam's largest trading partner, and Chinese FDI into Vietnam rose significantly between 2017 and 2020. Despite China's large economic influence over Vietnam, the VCP has remained wary of raising its indebtedness to China. Additionally, lingering distrust from the 2014 oil rig standoff has prevented Vietnam from engaging in major economic commitments with China. Specifically, Vietnam has avoided accepting BRI projects within its borders. Rather than bandwagoing with China by accepting BRI loans, Vietnam has chosen to balance China by avoiding BRI funding and looking to other major powers for infrastructure funding. However, Vietnam signed on as an official partner to China's BRI in 2017 to maintain stable economic relations with China. Vietnam's past interactions with China suggest that a collective dilemma exists, for Vietnam has preferred to handle disputes with China bilaterally. Vietnam has had to adjust its hedging strategy towards China based on increased tensions

in the South China Sea due to the U.S.-China rivalry, its distrust towards China's growing economic influence, and ASEAN's lack of unity regarding South China Sea issues.

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## IV. MALAYSIA

### A. INTRODUCTION

Malaysia's policy towards South China Sea disputes has not changed significantly in the past decade. Successive governments have adhered to three main strategies: defend Malaysia's maritime claims in the South China Sea; downplay the severity of maritime disputes to maintain stable relations with China; and rely on ASEAN-led diplomacy for conflict management.<sup>219</sup> Historically, Malaysia has prioritized strengthening its relationship with China. During Mahathir Mohamad's first term as the prime minister of Malaysia (1981-2003), he had a positive outlook towards cooperation with China. Even after China sunk Vietnamese vessels in the vicinity of Johnston Reef in 1988, Mahathir did not perceive China as a threat. Malaysia's goodwill towards China continued after Mahathir left office. As China's behavior in the South China Sea grew increasingly assertive after the Scarborough Shoal standoff in 2012, Malaysia has refrained from overtly challenging China's actions and has sought to handle disputes with China through "quiet diplomacy." Despite Malaysia's general reluctance to challenge China, the Pakatan Harapan (PH) government led by Mahathir (2018-2020) developed a "slightly more critical attitude towards China's behavior than its immediate predecessor" and made slight calibrations to its South China Sea policy.<sup>220</sup>

This chapter begins with a brief overview of Malaysia's claims in the South China Sea. Then, this chapter argues three points: First, it argues that increased U.S. involvement in the Western Pacific did not cause Malaysia to deviate from its hedging strategy towards China. Successive Malaysian governments sought to maintain stable relations with China instead of taking a collaborative approach with ASEAN to challenge China. Second, it argues that Malaysia engaged in limited bandwagoning with China to maintain stable economic relations. However, China's economic influence did not prevent Malaysia from

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<sup>219</sup> Ian Storey, "Malaysia and the South China Sea Dispute: Policy Continuity amid Domestic Political Change," ISEAS, March 20, 2020, 1.

<sup>220</sup> Ibid.

taking a harder stance against China when it perceived that its sovereignty was threatened. Lastly, this chapter argues that a collective action dilemma exists among ASEAN and that Malaysia's preference to engage China bilaterally regarding South China Sea issues contributes to the dilemma.

## **B. THE ORIGIN AND VALIDITY OF MALAYSIA'S CLAIMS IN THE SOUTH CHINA SEA**

Malaysia's claims in the South China Sea are much more modest compared to major claimant countries such as China, the Philippines, and Vietnam. Malaysia claims sovereignty over ten features within the Spratly archipelago, all of which reside within Malaysia's claimed exclusive economic zone (EEZ). Malaysia occupies five features, which are located in the southern portion of the Spratly archipelago.<sup>221</sup> These features include: Swallow Reef (occupied in 1983); Mariveles Reef and Adraiser Reef (occupied in 1986); and Investigator Shoal and Erica Reef (occupied in 1999).<sup>222</sup> Additionally, Malaysia claims sovereignty over two submerged features within its continental shelf: James Shoal and Luconia Shoals. Unlike other claimant countries, Malaysia has not based its territorial claims in the South China Sea on historic rights (like China) or effective occupation (like Vietnam and the Philippines). Rather, Malaysia's claims have been based on its continental shelf claim in 1979.<sup>223</sup>

Based on J. Ashley Roach's legal analysis of Malaysia's claims in the South China Sea, Malaysia's claims are much stronger compared to China, but this assumes that the Spratly archipelago is not treated as a single unit. In accordance with UNCLOS, the only maritime features that Malaysia has claimed that can generate maritime zones are Swallow Reef, Erica Reef, Investigator Shoal, and Mariveles Reef.<sup>224</sup> If an island, Swallow Reef would be entitled to "a territorial sea, EEZ, and continental shelf."<sup>225</sup> The other features

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<sup>221</sup> "Malaysia Island Tracker," Asia Maritime Transparency Initiative, <https://amti.csis.org/island-tracker/malaysia/>.

<sup>222</sup> Ian Storey, "Malaysia and the South China Sea Dispute," 2.

<sup>223</sup> Ibid., ii.

<sup>224</sup> Ibid., I.

<sup>225</sup> Ibid.

are low-tide elevations, or rocks, and are only entitled to a territorial sea. Since submerged features within a country's continental shelf are not subject to appropriation, Malaysia has clear sovereign rights over James Shoal and Luconia Shoals. Although legal jurisdiction determining countries' claims to various features within the Spratly archipelago has not yet been established, Malaysia's claims appear to be much stronger than China's.

As discussed in the previous chapter, China's claims to the Spratlys have been based on historical evidence, such as ancient Chinese documentation. Bill Hayton explains that these documents provide "no information about exactly what islands are being referred to and nothing that amounts to proof of conquest, cession, occupation, prescription or accretion."<sup>226</sup> Chinese scholars and analysts have insistently claimed sovereignty over the entirely Spratly archipelago, and the rest of the territory within its 9DL, based on "historic rights." As discussed in chapter two, Wu Shicun states that "China's claims over the South China Sea islands and relevant maritime areas are based on legitimate rights and the fact that it is the first country to discover, name, administer, and exercise control over the islands."<sup>227</sup> Despite China's claims to historic and legitimate rights, China has not provided concrete evidence that shows legal occupation and administration of the entirety of the Spratlys. When assessed from a legal perspective, China's claim to the Spratlys appears to be weaker than Malaysia's claims, but only if the Spratlys are assessed feature-by-feature. Further, the landmark 2016 decision issued by the Permanent Court of Arbitration at the Hague stated that China's historic rights claim to maritime resource rights has no legal basis. Despite the superiority of Malaysia's claims, China has acted assertively in the vicinity of Malaysia's claimed maritime territory. As such, Malaysia has developed a South China Sea strategy aimed at protecting its claims without overly provoking China.

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<sup>226</sup> Bill Hayton, *The South China Sea: The Struggle for Power in Asia* (New Haven: Yale University Press, 2015), 98.

<sup>227</sup> Wu Shicun, "Is the Nine-Dash Line in the South China Sea Legal?," China U.S. Focus, March 6, 2014, <https://www.chinausfocus.com/peace-security/is-the-nine-dash-line-in-the-south-china-sea-legal>.

## C. EFFECTS OF THE U.S.-CHINA RIVALRY ON MALAYSIA

Prior to the implementation of the Declaration on the Conduct of Parties in the South China Sea (DoC), Malaysia and China developed a “special friendship” that laid the foundation for future cooperation. The special relationship between the two countries was defined by two significant events, “the countries’ 1974 diplomatic rapprochement and Malaysia’s 1991 invitation for China to join the ASEAN meeting.”<sup>228</sup> During Prime Minister Mahathir’s first term (1981-2003), he welcomed cooperation with China despite China’s assertive actions against Vietnam in the South China Sea. Successive governments continued to bolster Malaysia’s ties with China, but Malaysia also sought to diversify its security ties with other major powers.

During Najib Abdul Razak’s tenure as prime minister (2009-2018), he raised Malaysia and China’s relationship to a comprehensive strategic partnership, endorsed Xi Jinping’s Belt and Road Initiative (BRI), and “facilitated greater military-to-military ties.”<sup>229</sup> At the same time, Malaysia welcomed U.S. security cooperation around the world in areas such as “peacekeeping, counter-piracy, and reconstruction operations.”<sup>230</sup> Once Mahathir came back into power in 2018, he developed a more critical attitude towards China. This section argues that increased U.S. involvement in the Western Pacific did not cause Malaysia to deviate from its hedging strategy towards China. Successive Malaysian governments sought to maintain stable relations with China instead of taking a collaborative approach with ASEAN to challenge China. Such behavior was evident during the 2020 West Capella standoff, as will be discussed below.

### 1. Contemporary Relations with China

Although Mahathir left office shortly after the DoC was implemented, his successor, Abdullah Ahmad Badawi (in office from 2003–2009), continued to strengthen

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<sup>228</sup> Ngeow Chow Bing, “Have Friendly Malaysia-China Relations Gone Awry?,” Carnegie Endowment for International Peace, July 16, 2021, <https://carnegieendowment.org/2021/07/16/have-friendly-malaysia-china-relations-gone-awry-pub-84981>.

<sup>229</sup> Ibid.

<sup>230</sup> “Malaysia: Background and U.S. Relations,” *Congressional Research Service*, November 19, 2015, 15.

Malaysia's ties with China. In December 2005, Prime Minister Badawi and Chinese Premier Wen Jiabao signed a joint communiqué that portrayed both Malaysia and China's satisfaction "with the remarkable progress of bilateral relations since the establishment of diplomatic ties in 1974, holding that the development of bilateral relations has brought tangible benefits to the two countries and their people."<sup>231</sup> The joint communiqué reaffirmed Malaysia's adherence to the one-China policy and held that China's development is conducive for promoting peace and stability in Asia.<sup>232</sup> Both countries also signed a memorandum of understanding (MOU) on Bilateral Defense Cooperation in 2005. This MOU provided "the basic framework for both sides to undertake various forms of cooperation exchanges, including a strategic dialogue, exchanges of officer students in respective military academies, defence industry cooperation, and combined military exercises."<sup>233</sup> Throughout Prime Minister Abdullah's term, he sought to engage China diplomatically to further increase both countries' cooperation efforts and to take advantage of China's economic rise. Malaysia's benevolence towards China continued under the leadership of Abdullah's successor.

After Prime Minister Najib Abdul Razak came into office in 2009, he strengthened Malaysia's security relationship with China. Most notably, Malaysia and China agreed to elevate their bilateral ties to a comprehensive strategic partnership in 2013. In doing so, both countries sought to increase military cooperation and two-way trade.<sup>234</sup> In 2014, Malaysia and China conducted their first bilateral military tabletop drill titled "Peace and Friendship 2014." Both countries conducted a joint live-troop version of Peace and Friendship in 2015 that included training operations such as joint maritime escorts, search

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<sup>231</sup> "China And Malaysia Issue The Joint Communiqué, December 15, 2005," USC US-China Institute, December 15, 2005, <https://china.usc.edu/china-and-malaysia-issue-joint-communiqu%C3%A9-december-15-2005>.

<sup>232</sup> Ibid.

<sup>233</sup> Ngeow Chow Bing, "Malaysia-China Defence Relations: Disruptions Amid Political Changes and Geopolitical Tensions," *ISEAS Yusof Ishak Institute*, April 29, 2021, [https://www.iseas.edu.sg/wp-content/uploads/2021/03/ISEAS\\_Perspective\\_2021\\_57.pdf](https://www.iseas.edu.sg/wp-content/uploads/2021/03/ISEAS_Perspective_2021_57.pdf).

<sup>234</sup> "Yantoultra Ngui, China Elevates Malaysia ties, aims to triple trade by 2017," Reuters, October 3, 2013, <https://www.reuters.com/article/us-malaysia-china/china-elevates-malaysia-ties-aims-to-triple-trade-by-2017-idUSBRE99304020131004>.

and rescue, humanitarian assistance and disaster relief.<sup>235</sup> Months after the landmark arbitral ruling was awarded to the Philippines in 2016, Malaysia and China issued a joint statement that renewed their MOU on Bilateral Defense Cooperation. Both countries believed that continuous cooperation and “close rapport between the defence establishment would further strengthen the existing relations.”<sup>236</sup> As China started to increase its maritime presence in Malaysia’s waters as early as the 2010s, the Najib government did not perceive China as a threat to Malaysian sovereignty. Malaysia and China’s cordial bilateral relationship was put to the test once Mahathir came back into power in 2018.

Prior to Mahathir’s second term as prime minister, he developed a critical attitude towards Malaysia’s relationship with China. In 2015, Mahathir came out of retirement to run against Najib, his former protégé. Before the election took place in 2018, Mahathir claimed that Najib was “selling out Malaysia to China,” and that he would “reconsider Chinese contracts” if he were to be elected as prime minister.<sup>237</sup> Mahathir won the election and immediately suspended the East Coast Rail Link (ECRL) project, a flagship BRI funded project, “along with two China-financed oil and gas pipeline projects.”<sup>238</sup> Despite Mahathir’s decision to stall critical economic projects with China, he did not “accuse China of engaging in systematic predatory lending.”<sup>239</sup> Rather, he blamed Najib for developing an overdependence on Chinese lending. Additionally, Mahathir sought to “put Malaysia back on track after a decade of greed and corruption at the highest levels under Najib.”<sup>240</sup> Najib’s involvement in the One Malaysia Development Bank (1MDB) scandal contributed to his poor performance in the 2018 election. After losing office, “Najib was charged with

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<sup>235</sup> Prashanth Parameswaran, “China, Malaysia to hold First Ever Joint Live-Troop Exercise,” *The Diplomat*, August 31, 2015, <https://thediplomat.com/2015/08/china-malaysia-to-hold-first-ever-joint-live-troop-exercise/>.

<sup>236</sup> Ngeow Chow Bing, “Malaysia-China Defence Relations.”

<sup>237</sup> Liz Lee, “Selling the country to China? Debate spills into Malaysia’s election,” *Reuters*, April 26, 2018, <https://www.reuters.com/article/us-malaysia-election-china-idUSKBN1HY076>.

<sup>238</sup> Ngeow Chow Bing, “Have Friendly Malaysia-China Relations Gone Awry?,” *Carnegie Endowment for International Peace*.

<sup>239</sup> *Ibid.*

<sup>240</sup> Luke Hunt, “Malaysia Counts the Costs of Its 1MDB Scandal,” *The Diplomat*, July 10, 2018, <https://thediplomat.com/2018/07/malaysia-counts-the-costs-of-its-1mdb-scandal/>.

corruption, breach of trust and money laundering.”<sup>241</sup> Regarding South China Sea issues, the Mahathir government authorized a submission to the Commission on the Limits of the Continental Shelf (CLCS) in 2019. This was a partial submission for the “remaining portion of the continental shelf of Malaysia beyond 200 nautical miles in the northern part of the South China Sea.”<sup>242</sup> The Mahathir government also authorized an oil and gas surveying operation in disputed waters off Malaysia’s coast. Both decisions portrayed the PH government’s willingness to “protect its interests and claims in the South China Sea, but its overall approach toward China was still nonconfrontational.”<sup>243</sup>

After the collapse of the PH government in 2020, Malaysia continued to refrain from escalating tensions with China even in times of crisis. Malaysia’s actions during the 2020 West Capella standoff displayed its reluctance to take a collaborative approach with ASEAN or other international powers to challenge China. After the Perikatan Nasional (PN) government came into power in early 2020, the new Malaysian government continued oil and gas survey activities “in an area which both Malaysia and Vietnam claim as part of their extended continental shelves.”<sup>244</sup> The West Capella, a ship contracted by Malaysia-owned oil company Petronas, started operations off the coast of Malaysia as early as October 2019. In April 2020, tensions between Malaysia and China heightened after the Chinese vessel Haiyang Dizhi 8 entered Malaysia’s EEZ to shadow the West Capella. The Haiyang Dizhi was flanked by numerous Chinese coast guard and maritime militia vessels. During the standoff, U.S. warships conducted a joint exercise with Australian frigate HMAS Parramatta in the vicinity of the West Capella. Despite China’s attempt to intimidate Malaysian economic activity within its 9DL, Malaysia refrained from drawing

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<sup>241</sup> Shamim Adam and Yudith Ho, “How Malaysia’s 1MDB Scandal Shook the Financial World,” *The Washington Post*, August 24, 2022, [https://www.washingtonpost.com/business/how-malaysias-1mdb-scandal-shook-the-financial-world/2022/08/24/a7b2b5d4-2377-11ed-a72f-1e7149072fbc\\_story.html](https://www.washingtonpost.com/business/how-malaysias-1mdb-scandal-shook-the-financial-world/2022/08/24/a7b2b5d4-2377-11ed-a72f-1e7149072fbc_story.html).

<sup>242</sup> “Continental Shelf – Submission by Malaysia,” United Nations, December 12, 2019, [https://www.un.org/Depts/los/clcs\\_new/submissions\\_files/submission\\_mys\\_12\\_12\\_2019.html](https://www.un.org/Depts/los/clcs_new/submissions_files/submission_mys_12_12_2019.html).

<sup>243</sup> Ngeow Chow Bing, “Have Friendly Malaysia-China Relations Gone Awry?,” Carnegie Endowment for International Peace.

<sup>244</sup> “Malaysia Picks a Three-Way Fight in the South China Sea,” Asia Maritime Transparency Initiative, February 21, 2020, <https://amti.csis.org/malaysia-picks-a-three-way-fight-in-the-south-china-sea/>.

international attention to the dispute and offered a tepid response towards the United States' actions.

Malaysian Foreign Minister Hishammuddin Hussein released a statement that portrayed Malaysia's sentiment towards U.S. involvement during the standoff. Hishammuddin stated that "the presence of warships and vessels in the South China Sea has the potential to increase tensions that in turn may result in miscalculations which may affect peace, security and stability in the region."<sup>245</sup> Hishammuddin's statement "distanced Malaysia from the U.S. naval deployment" and displayed the Malaysian government's desire to deescalate tensions with China instead of overtly cooperating with other powers to challenge China.<sup>246</sup> Malaysia's response to U.S. presence in the South China Sea during the West Capella standoff has shown that Malaysia is not willing to cooperate with the United States in South China Sea disputes. Additionally, Malaysia did not try to take a collaborative approach with ASEAN to challenge China during the incident. Ultimately, increased U.S. presence in the Western Pacific has had little effect on Malaysia's hedging strategy towards China.

## **2. Security Cooperation with the United States**

Increased U.S. interest in the Western Pacific did not influence Malaysia to improve its national defense and maritime capabilities to challenge China. However, prior to the U.S. pivot to the Western Pacific, Malaysia sought to maintain "traditional military ties with the Western powers, especially the United States."<sup>247</sup> During Prime Minister Abdullah's term in 2005, Malaysia renewed its Acquisition and Cross-Servicing Agreement with the United States. This agreement allowed Malaysian and U.S. armed

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<sup>245</sup> Hishammuddin Tun Hussein, "Press Statement: South China Sea," April 23, 2020, [https://www.kln.gov.my/web/guest/speeches-statements/-/asset\\_publisher/mN2jZPwqWjGA/content/press-statement-on-south-china-sea-by-yb-dato-seri-hishammuddin-tun-hussein-minister-of-foreign-affairs-wisma-putra-23-april-2020?redirect=%25252525252Fweb%25252525252Fguest%25252525252Fspeeches](https://www.kln.gov.my/web/guest/speeches-statements/-/asset_publisher/mN2jZPwqWjGA/content/press-statement-on-south-china-sea-by-yb-dato-seri-hishammuddin-tun-hussein-minister-of-foreign-affairs-wisma-putra-23-april-2020?redirect=%25252525252Fweb%25252525252Fguest%25252525252Fspeeches).

<sup>246</sup> Ngeow Chow Bing, "Have Friendly Malaysia-China Relations Gone Awry?," Carnegie Endowment for International Peace.

<sup>247</sup> Cheng-Chwee Kuik, "Making Sense of Malaysia's China Policy," *The Chinese Journal of International Politics*, vol. 6, no. 4, 2013, 465.

forces “to share logistics and supplies for the next 10 years.”<sup>248</sup> Since 2010, Malaysia has been an active participant in the “biennial Rim of the Pacific’ (RIMPAC) multilateral naval exercises held near Hawaii.”<sup>249</sup> Additionally, Malaysia and the United States armed forces “conducted over 75 cooperative activities, highlighted by jungle warfare training at a Malaysian facility, bilateral exercises like Kris Strike, and multilateral exercises like Cobra Gold.”<sup>250</sup>

Despite Prime Ministers Abdullah and Najib’s desires to foster a closer relationship with China, both leaders also sought to diversify Malaysia’s strategic partnerships. During Najib’s tenure as prime minister, Malaysia and the United States “elevated their ties to the level of comprehensive partnership.”<sup>251</sup> Since then, both countries have cooperated “closely on security matters, including counterterrorism, maritime domain awareness, and regional stability, and participate frequently in bilateral and multilateral training exercises and visits.”<sup>252</sup> Additionally, Malaysia and the United States cooperated in the 21<sup>st</sup> annual Cooperation Afloat Readiness and Training (CARAT) exercise in 2015. This annual exercise’s purpose has been to “build relationships and enhance interoperability between U.S. and Malaysian Armed Forces,” and it is “part of a series of bilateral naval exercises conducted by the U.S. Navy” with various partners in Southeast Asia.<sup>253</sup> During the same year, Malaysian Defense Minister Hishamuddin Hussein accompanied U.S. Secretary of Defense Ash Carter on a visit to the USS Theodore Roosevelt, a U.S. aircraft carrier, the

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<sup>248</sup> Ibid.

<sup>249</sup> “Malaysia: Background and U.S. Relations,” *Congressional Research Service*, November 19, 2015, 15.

<sup>250</sup> Ibid.

<sup>251</sup> Prashanth Parameswaran, “Mahathir Visit Spotlights US-Malaysia Relations Under New Government,” *The Diplomat*, September 25, 2018, <https://thediplomat.com/2018/09/mahathir-visit-spotlights-us-malaysia-relations-under-new-government/>.

<sup>252</sup> “U.S. Relations With Malaysia,” U.S. Department of State, April 19, 2022, <https://www.state.gov/u-s-relations-with-malaysia/#:~:text=U.S.%2DMALAYSIA%20RELATIONS&text=Today%2C%20the%20United%20State%20and,U.S.%20engagement%20with%20Southeast%20Asia.>

<sup>253</sup> Prashanth Parameswaran, “US, Malaysia Launch Naval Exercise,” *The Diplomat*, August 18, 2015, <https://thediplomat.com/2015/08/us-malaysia-launch-naval-exercise/>.

day after the 2015 ASEAN Regional Forum.<sup>254</sup> Hishamuddin's visit to the carrier while it conducted operations in the South China Sea further expressed Malaysia's dedication towards strengthening security ties with the United States.

Malaysia's past interactions with the United States supports the hypothesis that the U.S.-China rivalry has discouraged claimant countries from taking a collaborative approach to challenge China. After the United States shifted its focus to the Western Pacific, Malaysia continued to strengthen its relations with the United States. Although Malaysia did not use its "upgraded ties with the United States as the main leverage to deal with Beijing," Malaysia displayed a preference to improve its security ties with the United States instead of taking a collaborative approach with ASEAN to challenge China.<sup>255</sup>

### **3. Assessment of Findings**

After the U.S. pivot to the Western Pacific, Malaysia did not deviate from its hedging strategy towards China. Successive Malaysian governments sought to maintain stable relations with China and refrained from challenging China's assertive behavior in the South China Sea. During Mahathir's second term as prime minister (2018-2020), the PH government developed a critical view towards China and displayed the resolve to protect Malaysia's interests and claims in the South China Sea. However, Mahathir did not confront China regarding South China Sea issues. After the collapse of the PH government in 2020, the PN government (2020-2022) continued to dismiss China's assertive behavior in the South China Sea. Most notably, the PN government did not condemn China for its actions during the West Capella standoff. As the U.S.-China rivalry in Southeast Asia intensified as a result of the U.S. pivot to the Western Pacific, Malaysia sought to maintain cordial relations with China instead of taking a collaborative approach with ASEAN to challenge China. Additionally, Malaysia has displayed a preference to strengthen its relations with the United States. Malaysia's interactions with China and the United States after the U.S. pivot to the Western Pacific supports the hypothesis that the U.S.-China

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<sup>254</sup> "Carter Makes Subtle Dig at China on South China Sea Visit," VOA News, November 5, 2015, <https://www.voanews.com/a/us-defense-chief-visits-warship-in-south-china-sea/3037837.html>.

<sup>255</sup> Cheng-Chwee Kuik, "Making Sense of Malaysia's China Policy," 433.

rivalry has discouraged claimant countries from taking a collaborative approach to challenge China.

#### **D. EFFECTS OF CHINA’S ECONOMIC INFLUENCE ON MALAYSIA**

As part of Malaysia’s “special friendship” with China, bilateral trade between both countries reached record heights even prior to the introduction of China’s BRI. During Mahathir’s first term as prime minister, he “welcomed the prospect of China playing a larger role in Southeast Asia.”<sup>256</sup> In 2009, China became Malaysia’s largest trading partner.<sup>257</sup> Mahathir’s successors continued the trend of cooperating with China in hopes of promoting economic growth in Malaysia. Malaysia’s economic ties with China reached new heights under Najib’s leadership. In 2013, Malaysia became China’s third largest trading partner in Asia, “just next to Japan and South Korea.”<sup>258</sup> Until Malaysia was surpassed by Vietnam in 2017, it was China’s largest trading partner within ASEAN.<sup>259</sup> Najib fully endorsed China’s BRI and stated that “through the initiative, transportation and movement of goods would be much easier and cheaper and would also enable local entrepreneurs to penetrate a larger market.”<sup>260</sup> As Malaysia’s economic relationship with China grew, Malaysian leaders downplayed China’s assertive behavior in the South China Sea. This section argues that Malaysia engaged in limited bangdwagoning with China to maintain stable economic relations. However, China’s economic influence did not prevent Malaysian from taking a harder stance against China when it perceived that its sovereignty was threatened.

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<sup>256</sup> Ngeow Chow Bing, “Have Friendly Malaysia-China Relations Gone Awry?,” Carnegie Endowment for International Peace.

<sup>257</sup> “China remains Malaysia’s largest trading partner for 11<sup>th</sup> year,” Malaysian Investment Development Authority, Dec 31, 2020, <https://www.mida.gov.my/mida-news/china-remains-malaysias-largest-trading-partner-for-11th-year/>.

<sup>258</sup> Ibid.

<sup>259</sup> Ngeow Chow Bing, “Have Friendly Malaysia-China Relations Gone Awry?,” Carnegie Endowment for International Peace.

<sup>260</sup> “Najib reiterates benefits of China’s One Belt One Road Initiative,” The Star, May 16, 2017, <https://www.thestar.com.my/news/nation/2017/05/16/najib-reiterates-benefits-of-china-one-belt-one-road>.

## 1. Malaysia's Economic Relationship with China

Throughout Prime Minister Najib's time in office, he accepted several Chinese investment deals linked to the BRI and downplayed China's rising assertiveness in the South China Sea. In 2014, Najib announced the Melaka Gateway project. The developers of the Chinese-backed project "envisioned the construction of economic zones, hotels, luxury housing, and various tourist attractions," all of which would be organized around a deep-water port.<sup>261</sup> Around the same time, Chinese maritime presence in the vicinity of Luconia Shoals (located approximately 80 nm off the coast of eastern Malaysia) had ramped up. China started patrolling the area as early as 2013.<sup>262</sup> Najib did not challenge China's incursion into Malaysian waters; rather, he "sought to downplay Chinese maritime assertiveness and separate the South China Sea issue from his administration's pursuit of closer relations to China."<sup>263</sup>

Najib displayed similar behavior after launching the Chinese-backed ECRL project in 2016. This BRI project sought to connect "the East coast states of Kelantan, Terengganu, and Pahang to Port Klang in the Greater Kuala Lumpur area" via railway.<sup>264</sup> Once completed, the ECRL was projected to "contribute around 2.7 per cent to economic growth of the country."<sup>265</sup> After this project was announced, Najib continued to disregard China's maritime presence in Malaysian waters. Such behavior portrays how Najib engaged in limited bandwagoning towards China to receive economic benefits. Limited bandwagoning refers to "an agreement of the hedger with the hedging target to co-ordinate on certain

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<sup>261</sup> Sebastian Strangio, "In Malaysia, a Gargantuan Chinese-Backed Development Bites the Dust," *The Diplomat*, November 19, 2020, <https://thediplomat.com/2020/11/in-malaysia-a-gargantuan-chinese-backed-development-bites-the-dust/>.

<sup>262</sup> Ralph Jennings, "Why China's Coast Guard Spent 258 Days in Waters Claimed by Malaysia," *VOA*, October 20, 2019, <https://www.voanews.com/a/east-asia-pacific-why-chinas-coast-guard-spent-258-days-waters-claimed-malaysia/6177878.html>.

<sup>263</sup> Ngeow Chow Bing, "Have Friendly Malaysia-China Relations Gone Awry?," *Carnegie Endowment for International Peace*.

<sup>264</sup> Chanrith Ngin, "How Recipient Countries in Southeast Asia Manage Belt and Road Initiative Projects," *ISEAS Yusof Ishak Institute*, October 10, 2022, 8.

<sup>265</sup> *Ibid.*

policy issues.”<sup>266</sup> The difference between limited bandwagoning and traditional diplomacy is that “the weaker party has to make more compromises.”<sup>267</sup> Najib’s behavior towards China in response to accepting BRI projects can best be described as limited bandwagoning, for he sought to coordinate with China to get access to BRI funding while also compromising with China by dismissing its assertive behavior in Malaysian waters.

Malaysia continued to engage in limited bandwagoning with China after Najib left office. BRI projects in Malaysia continued after Mahathir’s PH government took control in 2018, but Mahathir renegotiated several projects. Mahathir claimed that many of the Chinese-backed infrastructure projects were “overpriced or were burdening Malaysia with unsustainable levels of debt.”<sup>268</sup> Economic relations between Malaysia and China remained stable despite Mahathir’s decision to renegotiate deals, and Mahathir did little to overtly challenge China’s maritime presence in Malaysian waters. After coming into power in 2020, the PN government, led by Prime Minister Muhyiddin Yassin, started to deviate from the limited bandwagoning strategy.

Despite China’s economic leverage over Malaysia, the Malaysian government shifted away from dismissing China’s assertive behavior when it perceived that its sovereignty was challenged. In May 2021, 16 People’s Liberation Army (PLA) Air Force planes flew over Malaysia’s EEZ without prior notification to regional air traffic control.<sup>269</sup> Instead of brushing the issue aside, Foreign Minister Hishammuddin Hussein issued a statement that expressed his intent to issue a diplomatic note of protest against the PLA. Hishammuddin expressed a critical attitude towards China in his closing remarks: “Malaysia’s stand is clear – having friendly diplomatic relations with any countries does

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<sup>266</sup> Alfred Gerstl, “Malaysia’s Hedging Strategy Towards China Under Mahathir Mohamad (2018-2020): Direct Engagement, Limited Balancing, and Limited Bandwagoning,” *Journal of Current Chinese Affairs*, Vol. 49, No.1, 2020, 112.

<sup>267</sup> Ibid.

<sup>268</sup> Sebastian Strangio, “In Malaysia, a Gargantuan Chinese-Backed Development Bites the Dust,” *The Diplomat*, <https://thediplomat.com/2020/11/in-malaysia-a-gargantuan-chinese-backed-development-bites-the-dust/>.

<sup>269</sup> “Malaysia scrambles fighter jets after 16 Chinese military aircraft fly toward Borneo,” CNN, June 1, 2020, <https://www.cnn.com/2021/06/01/asia/malaysia-china-air-force-flight-intercept-intl-hnk/index.html>.

not mean that we will compromise our national security. Malaysia remains steadfast in defending our dignity and our sovereignty.”<sup>270</sup> Although Malaysia has been reluctant to put its economic relationship with China at risk, the PN government showed a willingness to challenge China when it perceived that its sovereignty was challenged. This behavior shows that Malaysia seeks to maintain its economic relationship with China, but not to the extent in which it allows China free reign in its territory.

## **2. Assessment of Findings**

After China introduced the BRI in 2013, Prime Minister Najib sought to coordinate with China to receive BRI funding for various infrastructure projects in Malaysia. Under the Najib’s leadership, Malaysia’s economic relationship with China grew significantly. Najib engaged in limited bandwagoning with China to maintain stable Sino-Malaysian economic relations. As Najib received BRI funding, he downplayed China’s assertive behavior in the South China Sea. After Mahathir succeeded Najib in 2018, he continued to engage in limited bandwagoning with China by renegotiating BRI deals and dismissing Chinese encroachment into Malaysian waters. Malaysian leaders’ preference to dismiss China’s assertive behavior in the South China Sea in exchange for economic benefits supports the hypothesis that claimant countries are reluctant to take a collaborative approach to challenge China due to their dependence on China’s economy.

## **E. HOW MALAYSIA CONTRIBUTES TO THE COLLECTIVE ACTION DILEMMA**

As discussed in the previous two chapters, ASEAN has remained divided on the issue of China’s assertiveness in the South China Sea. The non-claimant countries have shown a reluctance towards challenging China, and they have displayed disinterest towards supporting claimant countries with their territorial disputes in the South Chian Sea. Malaysia’s interests in the South China Sea have not aligned with other major claimant countries like the Philippines and Vietnam. This divergence in interests coincides with

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<sup>270</sup> “Ministry of Foreign Affairs Will Issue a Diplomatic Protest and Summon the Ambassador of the People’s Republic of China,” Malaysia Ministry of Foreign Affairs, June 1, 2021, <https://www.kln.gov.my/web/guest/-/ministry-of-foreign-affairs-will-issue-a-diplomatic-protest-and-summon-the-ambassador-of-the-people-s-republic-of-china>.

Kenneth Oye's criteria for a collective action dilemma. The relatively large number of members in ASEAN has made it difficult for mutual interests to align. Specifically, the non-claimant countries and Malaysia have shown disinterest in challenging China's assertive behavior.

The disunity among ASEAN and Malaysia's reluctance to challenge China was evident during the 2015 ASEAN Regional Forum in Kuala Lumpur Malaysia, for the defense ministers "failed to issue a traditional joint statement at the end of the forum, after China lobbied to block any mention of the contentious South China Sea."<sup>271</sup> Prior to the forum, the United States conducted a freedom of navigation operation to challenge China's land reclamation activities in the Spratlys.<sup>272</sup> The impasse among ASEAN to address China's assertive behavior further displayed their lack of unity in challenging China. Additionally, Malaysia did not leverage its status as chair of the forum to challenge China.

Despite the presence of a collective action dilemma among ASEAN, Malaysia has expressed the need for unity among ASEAN in handling South China Sea disputes. Such sentiment was displayed by Foreign Minister Hishammudin's statement after the West Capella incident in 2020: "If ASEAN breaks apart, and Malaysia ourselves are not able to stand up to U.S. and China, our best chance is if ASEAN remains solid. To resolve the South China Sea issue with China, we must ensure that ASEAN's solidarity is strong, and we remain united as one bloc."<sup>273</sup> Although Hishammuddin has called for unity among ASEAN to settle South China Sea disputes with China, Malaysia has yet to show explicit support in doing so. Based on its past actions regarding South China Sea disputes with China, Malaysia has contributed more to disunity among ASEAN.

The Malaysian foreign ministry's reaction to the award of the 2016 arbitral ruling between the Philippines and China portrays Malaysia's hesitancy to challenge China. The official press release stated that "Malaysia believes that it is important to maintain peace,

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<sup>271</sup> "Carter Makes Subtle Dig at China on South China Sea Visit," VOA News.

<sup>272</sup> Ibid.

<sup>273</sup> Damon Evans, "Petronas to stoke Chinese fury as Transocean drills in South China Sea," Energy Voice, August 24, 2020, <https://www.energyvoice.com/oilandgas/asia/260374/petronas-drilling-china-fury/>.

security and stability through exercise of self-restraint in the conduct of activities that may further complicate disputes or escalate tension, and avoid threat or use of force in the South China Sea.”<sup>274</sup> Malaysia supported the ruling based on its adherence to international law, but it did not explicitly support the Philippines’ decision to challenge China. Malaysia’s reluctance to challenge China has been rooted in the development of both countries’ bilateral relationship. By trying to maintain its “special friendship” with China, Malaysia has contributed to the collective action dilemma.

Malaysia’s adherence to addressing China’s assertive actions in the South China Sea through quiet diplomacy has also contributed to the collective action dilemma. Malaysian leaders have displayed a tendency to “give deference to China over selected issues and chosen to strengthen Malaysia’s strategic links with the rising power.”<sup>275</sup> In response to past leaders’ preference to handle South China Sea disputes with China diplomatically, China “has reciprocated Malaysia’s goodwill.”<sup>276</sup> For example, China has offered “a US\$25 billion contract to Malaysia’s state-owned company Petronas in July 2006 to supply up to 3.03 million metric tons of liquefied natural gas (LNG) annually to China for 25 years.”<sup>277</sup> China has made other significant contributions to Malaysia in response to Malaysia’s decision to keep South China Sea disputes low-key. Malaysia’s preference for quiet diplomacy has overshadowed the need for Malaysia to promote a collaborative approach among ASEAN to challenge China.

## **F. FINAL ASSESSMENT**

Based on the findings for each of the three working hypotheses, this section argues that the evidence from this case study supports each hypothesis.

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<sup>274</sup> Lee Seok Hwai, “Malaysia calls for South China Sea dispute to be resolved by diplomatic and legal processes after Hague ruling,” *The Strait Times*, July 13, 2016, <https://www.straitstimes.com/asia/se-asia/malaysia-calls-for-south-china-sea-dispute-to-be-resolved-by-diplomatic-and-legal>.

<sup>275</sup> Cheng-Chwee Kuik, “Making Sense of Malaysia’s China Policy,” 451.

<sup>276</sup> *Ibid.*

<sup>277</sup> *Ibid.*

Regarding the hypothesis on the effects of the U.S.-China rivalry in Southeast Asia, evidence from this case study suggests that the rivalry has had a negative effect on Malaysia's efforts to take a collaborative approach to challenge China. Since Mahathir first became Prime Minister, Malaysia has sought to maintain stable Sino-Malaysian relations. Successive Malaysian governments strengthened economic and security ties with China while also downplaying China's assertive behavior in the South China Sea. As Malaysian leaders strengthened security ties with China, they also strengthened security ties with the United States. Malaysia continued to strengthen ties with the United States after the U.S. pivot to the Western Pacific. This evidence suggests that the U.S.-China rivalry in the South China Sea discouraged Malaysia from taking a collaborative approach with ASEAN to challenge China.

Regarding the hypothesis on the effects of China's economic influence in Southeast Asia, evidence from this case study suggests that China's economic influence over Malaysia had a significant effect on Malaysian leaders' decision-making. As Malaysian leaders engaged in limited bandwagoning with China to receive BRI funding, they continued to dismiss China's assertive behavior in the South China Sea. Malaysian leaders' past behavior suggests that they prioritized economic development over settling territorial disputes in the South China Sea. This evidence suggests that China's economic influence over Malaysian leaders has discouraged Malaysia from taking a collaborative approach with ASEAN to challenge China.

Regarding the hypothesis on the presence of a collective action dilemma, evidence from this case study suggests that a collective action dilemma exists among ASEAN, and that Malaysia contributes to the dilemma. ASEAN's failure to issue a joint communiqué during the 2015 ASEAN Regional Forum displayed ASEAN's lack of unity regarding challenging China's assertive behavior in the South China Sea. Despite Malaysia's status as a claimant country within ASEAN, its interests have not aligned with other claimant countries. Malaysia has been reluctant to challenge China and has been more dismissive compared to the Philippines and Vietnam. Malaysia's preference to engage China bilaterally and settle disputes through quiet diplomacy contributes to the collective action dilemma.

The findings from this case study suggest that Malaysia's strategy to maintain stable Sino-Malaysian relations have been consistent since Mahathir's first term as prime minister (1981-2003). Increased tensions in the South China Sea as a result of the U.S.-China rivalry and China's economic influence in Southeast Asia have not caused Malaysia to deviate from its strategy to grow closer to China. Successive Malaysian governments have displayed the preference to engage with China bilaterally and dismiss China's assertive behavior in the South China Sea.

## **G. CONCLUSION**

Mahathir's decision to cooperate with China during his first term as prime minister defined Sino-Malay relations well into the 21<sup>st</sup> century. Rather than perceiving China as a threat, Mahathir welcomed cooperation with China and sought to reap economic and diplomatic benefits from China as it rose to power. Bilateral trade and strategic cooperation between both countries grew significantly under Mahathir, and his successors continued the trend of cooperating with China. At the same time, Malaysia deepened its security ties with the United States. As the United States increased its presence in the Western Pacific as part of its pivot to Asia in 2011, Malaysia continued to strengthen relations with China and the United States. Despite increased U.S. involvement in South China Sea issues, Malaysia continued to prioritize elevating its relations with China over taking a collaborative approach with ASEAN to challenge China.

Under Prime Minister Najib's leadership, Malaysia accepted several China-backed projects as part of the BRI and downplayed China's assertive behavior in the South China Sea. Despite China's economic leverage over Malaysia, the Malaysian government took a harder stance towards China when it perceived that its sovereignty was threatened. Such behavior was apparent after the PLA Air Force overflight incident in 2021. Malaysia has displayed a preference to handle South China Sea issues with China through bilateral channels and quiet diplomacy. Malaysia's efforts to maintain its "special friendship" with China confirms the presence of a collective action dilemma. As long as Malaysia continues to receive benefits from its relationship with China without feeling overly threatened, it may continue to refrain from changing the status quo in the South China Sea.

## **V. CONCLUSION**

### **A. INTRODUCTION**

Contestation of territory and rights to resources in Southeast Asia is an important issue. Chinese assertiveness has created new “facts in the water” over the last decade, and a range of countries have found their own holdings increasingly challenged. This thesis has asked the question of why three of them have not been able to work together through ASEAN—or indeed, to challenge these provocations systematically—to counter this action from Beijing.

After analyzing each of the three claimant countries’ case studies, all three case studies provide evidence that supports each of the three working hypotheses. The Philippines, Vietnam, and Malaysia have developed different strategies to challenge China and defend their respective claims in the South China Sea. Each of their strategies required recalibrating their engagements with China, the United States, and other major powers. None has been successful.

This concluding chapter will proceed as follows. First, it evaluates each of the respective three hypotheses for each case. The evidence from the case studies suggest that claimant countries have not taken a collaborative approach to challenge China’s assertive behavior in the South China Sea based on the following factors: heightened tension in the South China Sea as a result of the U.S.-China rivalry, China’s economic influence on claimant countries’ decision-making, and the presence of a collective action dilemma among the Association of Southeast Asian Nations (ASEAN) to challenge China. Finally, this chapter will conclude with a recommendation for claimant countries to take a collaborative approach to settle South China Sea disputes in the future.

### **B. EFFECTS OF THE U.S.-CHINA RIVALRY ON CLAIMANT COUNTRIES**

As the United States shifted its focus to the Western Pacific as part of its “pivot to Asia” in 2011, the South China Sea evolved into a region heavily influenced by great power competition between the United States and China. Countries with claims in the South China

Sea implemented different policies to carefully navigate their relationships with both powers. In response to tensions stemming from the U.S.-China rivalry, the Philippines, Vietnam, and Malaysia implemented hedging strategies towards China. Claimant countries prioritized handling South China Sea disputes with China bilaterally, and they strengthened security ties with outside major powers to bolster their national security. The effects of great power competition in the South China Sea as a result of the U.S.-China rivalry discouraged claimant countries from taking a collaborative approach with ASEAN to challenge China.

### **1. Summary of Case Findings**

Each of the three claimant countries found ways to engage with China bilaterally to address territorial disputes in the South China Sea. Specifically, each country developed their own hedging strategy to maintain cordial relations with Beijing.

After the United States increased its presence in the Western Pacific, Philippine leaders have shown a preference towards strengthening defense ties with major powers to challenge China and engaging with China bilaterally to address South China Sea issues. Such actions were prominent after the Scarborough Shoal standoff in 2012. After the standoff, the United States had vested interest in the Western Pacific and ASEAN showed little support to the Philippines in challenging China's rising assertiveness. As a result, the Philippines "pursued a dual approach by bolstering its defense capabilities and enhancing its military alliance with Washington."<sup>278</sup> Additionally, the Philippines strengthened its cooperation efforts with Japan to better address its security concerns in the South China Sea. Although Duterte shifted to an appeasement strategy towards China, he retained the U.S.-Philippine alliance and bilateral relations with Japan.

Vietnam's cooperative efforts since the implementation of DoC were mainly focused on building bilateral relations with China. Despite China's growing assertiveness after the U.S. pivot to Asia, Hanoi maintained its hedging strategy towards China. Sino-

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<sup>278</sup> Mico Galang, "Opportunities for the Philippines-Vietnam Strategic Partnership," Asia Maritime Transparency Initiative, May 1, 2020, <https://amti.csis.org/opportunities-for-the-philippines-vietnam-strategic-partnership/>.

Vietnamese relation were relatively stable until the 2014 oil rig incident. After realizing that internal balancing and regular bilateral engagement with China was not enough to protect against Chinese assertiveness in the future, Vietnam started to engage with other major powers more frequently. This indicates a significant change in Vietnam's threat perception of China and displays how the standoff altered Hanoi's decision to address security concerns vis-a-vis China by strengthening defense ties with major powers. Although Vietnam has bolstered its security relationships with the United States and its allies in recent years, it remains cautious towards degrading its relationship with China.

Malaysia has not deviated from its hedging strategy towards China since Mahathir's first term as prime minister. Successive Malaysian governments sought to maintain stable relations with China and refrained from challenging China's assertive behavior in the South China Sea after the U.S. pivot to the Western Pacific. During Mahathir's second term as prime minister (2018-2020), the Pakatan Harapan (PH) government developed a critical view towards China and displayed the resolve to protect Malaysia's interests and claims in the South China Sea. However, Mahathir did not confront China regarding South China Sea issues. After the collapse of the PH government in 2020, the Perikatan Nasional (PN) government (2020-2022) continued to dismiss China's assertive behavior in the South China Sea. Most notably, the PN government did not condemn China for its actions during the West Capella standoff in 2020. As the U.S.-China rivalry in Southeast Asia intensified as a result of the U.S. pivot to the Western Pacific, Malaysia sought to maintain cordial relations with China instead of taking a collaborative approach with ASEAN to challenge China. Additionally, Malaysia has displayed a preference to strengthen its relations with the United States.

Based on the findings of each of the three case studies, the heightened U.S.-China rivalry in the South China Sea has discouraged claimant countries from taking a collaborative approach to challenge China. All three countries handled their engagements with China in a similar fashion. One significant difference among each of the three countries was their relationship with the United States. The Philippines is the only country among the three that has a formal alliance with the United States. As such, both the Aquino and Duterte administrations leveraged their security relationship with the United States to

some degree to challenge China. In the case of Vietnam and Malaysia, both countries had established a cordial bilateral relationship with China prior to the U.S. pivot to Asia. Both countries sought to maintain stable relations with China despite the heightened tensions surrounding the South China Sea as a result of increased U.S. interest in the region. As such, pre-existing relationships also played a factor in claimant countries' strategies towards engaging with China. For all three countries, calibrating their relations with the United States (and other major powers interested in the region) proved far more valuable than deepening investment in intra-regional collaboration to address this challenge.

### **C. EFFECTS OF CHINA'S ECONOMIC INFLUENCE ON CLAIMANT COUNTRIES**

As countries in Southeast Asia started to pursue deeper economic relations with China, China's economic influence over the region grew significantly. China's economic strategy, especially after it gained membership to the World Trade Organization (WTO) in 2001, was to increase economic cooperation with ASEAN.<sup>279</sup> As a result, China and ASEAN agreed to the creation of a free trade zone (FTZ) in 2002. Since then, bilateral trade and investment between China and the Philippines, Vietnam, and Malaysia rose sharply. Regarding China's economic influence on claimant countries, the Philippines, Vietnam, and Malaysia have expressed the desire to maintain stable economic relations with China. The country case studies have shown that China's economic influence over claimant countries has discouraged claimant countries from taking a collaborative approach to challenge China. Due to China's economic influence, claimant countries have engaged in some degree of bandwagoning with China to receive economic benefits.

#### **1. Summary of Case Findings**

Each of the three claimant countries sought to maintain economic relations with China despite Beijing's assertive behavior in the South China Sea.

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<sup>279</sup> Ketian Zhang, "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea," *International Security*, Vol. 44, No. 1, 2019, 140.

Duterte's efforts to improve economic relations with China granted China significant economic leverage over the Philippines. As China continually provided economic aid to the Philippines throughout Duterte's presidency, Duterte became more dismissive towards China's assertive behavior in the South China Sea. As Chinese vessels continued to assert their presence in the vicinity of the Philippines' claimed features in the South China Sea, Duterte did little to challenge China until the end of his presidency. Duterte's bandwagoning behavior towards China after receiving economic benefits suggests that Duterte prioritized maintaining economic relations with China over settling territorial disputes and potentially straining Sino-Philippine relations.

As Vietnam developed stronger bilateral ties with China in the past decade, China's economic influence over Vietnam grew significantly. The risks of being caught in a Chinese debt trap and lingering sentiments from the 2014 oil rig standoff caused Vietnam to distrust Chinese official development assistance (ODA) and Belt and Road Initiative (BRI)-related loans. Although Vietnam became an official BRI partner in 2017, it refrained from accepting BRI projects within its borders and looked to other major powers for infrastructure financing. China's response to the anti-Chinese protests in Vietnam during the 2014 oil rig standoff revealed China's determination to assert its economic influence over Vietnam. As a result, Vietnam made the diplomatic decision to support the BRI to maintain stable economic relations with China.

After China introduced the BRI in 2013, Prime Minister Najib sought to coordinate with China to receive BRI funding for various infrastructure projects in Malaysia. Under Najib's leadership, Malaysia's economic relationship with China grew significantly. Najib engaged in limited bandwagoning with China to maintain stable Sino-Malaysian economic relations. As Najib received BRI funding, he downplayed China's assertive behavior in the South China Sea. After Mahathir succeeded Najib in 2018, he continued to engage in limited bandwagoning with China by renegotiating BRI deals and dismissing Chinese encroachment into Malaysian waters.

Based on the findings of each of the three case studies, China's economic influence over claimant countries' decision-making has discouraged claimant countries from taking a collaborative approach to challenge China. Each of the three claimant countries have

sought to benefit from their economic relationships with China. Most notably, each country has promoted China's BRI or other economic engagement to some degree. In the case of the Philippines and Malaysia, both countries have downplayed Chinese assertiveness in the South China Sea in exchange for economic benefits from China in the form of FDI, ODA, or BRI loans for domestic infrastructure projects. In the case of Vietnam, Hanoi has avoided branded BRI funding, but Vietnam has promoted the BRI by becoming a participant in 2017. Vietnam has been less prone to dismiss assertive Chinese behavior in exchange for economic benefits, but the VCP has shown a reluctance to challenge China in order to maintain stable economic relations.

#### **D. THE PRESENCE OF A COLLECTIVE ACTION DILEMMA AMONG CLAIMANT COUNTRIES**

After ASEAN reached an impasse over China's claims in the South China Sea and failed to issue a communiqué in 2012, it became clear that a collective action dilemma existed among ASEAN. Although ASEAN has been committed to abiding by international law and settling disputes peacefully in the South China Sea as outlined by the DoC, the groups' individual interests regarding South China Sea issues have not aligned. ASEAN's behavior is indicative of Kenneth Oye's criteria for the presence of a collective action dilemma. As each of the three claimant countries have been involved in altercations with China regarding territorial disputes in the South China Sea, the divergence of interests among ASEAN has prevented the group from taking a collaborative approach to challenge China.

##### **1. Summary of Case Findings**

After the Scarborough Shoal standoff in 2012, the number of ASEAN members that did not support challenging China was greater than the number of members that supported challenging China, resulting in a failed attempt to "agree on policies that embody mutual interests."<sup>280</sup> ASEAN failed to act as a collective to challenge China due to the divergence in individual interests among a relatively large number of members. Among

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<sup>280</sup> Kenneth A. Oye, "Explaining Cooperation under Anarchy: Hypothesis and Strategies," *World Politics*, Volume 38, Number 1, October 1985, 19, <http://www.jstor.org/stable/2010349>.

ASEAN, seven of the 10 members have no territorial claims in the South China Sea. To further illustrate the divergence in interests among ASEAN, Vietnam was the only ASEAN member to submit its position to the international tribunal regarding the Philippines' arbitration case against China. After the permanent court of arbitration (PCA) issued its final award for the Philippines' arbitration case in 2016, "ASEAN Foreign Ministers did not issue a stand-alone statement in the Tribunal's ruling when they met in Vientiane on 24 July," and the ruling "was not mentioned in the final communique."<sup>281</sup> Although the PCA's award favored the Philippines' position and "served as a legal basis for all relevant states to review their positions and policies in the South China Sea," ASEAN remained divided over the South China Sea.<sup>282</sup> The lack of unity among ASEAN regarding South China Sea disputes has impacted the Philippines' actions in a way that contributes to the collective action dilemma among ASEAN. Rather than seeking to take a collaborative approach with ASEAN to challenge China, the Philippines was forced to act independently with the support of other major powers.

Similar to the Philippines' position after the Scarborough Shoal standoff in 2012, the general disinterest among the majority of ASEAN members to support claimant countries in South China Sea disputes has influenced Vietnam to engage with China on its own. This behavior is consistent with Kenneth Oye's criteria for a collective action dilemma, for the relatively large number of members within ASEAN has made it difficult for mutual interests to align. ASEAN's actions during the 2014 oil rig standoff and the 2019 Vanguard Bank incident portray the divergence in interests among ASEAN and its overall lack of unity towards challenging China. After Vietnam requested support from ASEAN during the 2014 oil rig standoff, ASEAN followed up by issuing "a stand-alone statement which, for the first time since the 1995 Mischief Reef Crisis, expressed 'serious

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<sup>281</sup> Ian Storey, "Assessing Responses to the Arbitral Tribunal's Ruling on the South China Sea," *ISEAS Yusof Ishak Institute*, July 28, 2016, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2016\\_43.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2016_43.pdf).

<sup>282</sup> Nguyen Hong Thao and Nguyen Thi Lan Huong, "The South China Sea Arbitration Award: 5 Years and Beyond," *The Diplomat*, July 12, 2021, <https://thediplomat.com/2021/07/the-south-china-sea-arbitration-award-5-years-and-beyond/>.

concerns’ at the situation in the South China Sea.”<sup>283</sup> Although ASEAN responded to Vietnam’s request, it’s statement did not “single China out for criticism, nor did it mitigate the crisis.”<sup>284</sup> During the 2019 Vanguard Bank incident, Vietnam sought to receive diplomatic support to challenge China during the 52<sup>nd</sup> ASEAN Foreign Minister’s Meeting (AMM). Vietnam was only able to secure “tougher language in an implicit reference to China’s recent actions” within the AMM Joint Communiqué.<sup>285</sup> ASEAN’s lack of support to Vietnam during crises with China suggest that ASEAN remains divided on South China Sea disputes and that ASEAN is reluctant to explicitly challenge China.

The disunity among ASEAN and Malaysia’s reluctance to challenge China was evident during the 2015 ASEAN Regional Forum in Kuala Lumpur Malaysia, for the defense ministers “failed to issue a traditional joint statement at the end of the forum, after China lobbied to block any mention of the contentious South China Sea.”<sup>286</sup> Prior to the forum, the United States conducted a freedom of navigation operation to challenge China’s land reclamation activities in the Spratlys.<sup>287</sup> The impasse among ASEAN to address China’s assertive behavior further displayed their lack of unity in challenging China. Additionally, Malaysia did not leverage its status as chair of the forum to challenge China.

Based on the observations of each of the three claimant countries’ case studies, a collective action dilemma among claimant countries exists. All three countries have relied on unilateral or bilateral negotiations with China to address South China Sea issues. ASEAN remains divided on the issue of challenging China, and the divergence of interests among ASEAN members coincides with Kenneth Oye’s criteria for a collective action dilemma. Because a majority of ASEAN members do not have territorial claims in the

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<sup>283</sup> Ian Storey, “The Sino-Vietnamese Oil Rig Crisis: Implications for the South China Sea Dispute,” *ISEAS Yusof Ishak Institute*, October 15, 2014, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2014\\_52.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2014_52.pdf).

<sup>284</sup> Ibid.

<sup>285</sup> Lye Liang Fook and Ha Hoang Hop, “The Vanguard Bank Incident: Developments and What Next?,” *ISEAS*, September 4, 2019, [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2019\\_69.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2019_69.pdf).

<sup>286</sup> “Carter Makes Subtle Dig at China on South China Sea Visit,” *VOA News*, November 5, 2015, <https://www.voanews.com/a/us-defense-chief-visits-warship-in-south-china-sea/3037837.html>.

<sup>287</sup> Ibid.

South China Sea, the interests of these members outweigh the interests of the claimant countries. As a result, non-claimant members have less incentive and motivation to challenge China over maritime claims that are irrelevant to them. This logic has been the basis of the divergence in interests among ASEAN, and it has been a significant driver that affects the disunity among ASEAN in challenging China.

## **E. SUMMARY ASSESSMENT**

Based on the summary of findings from each of the three cases studies, there appears to be two main drivers that discourage claimant countries from taking a collaborative approach to challenge China's claims in the South China Sea. First, increased U.S. interest in the Western Pacific has intensified the U.S.-China rivalry and transformed the South China Sea into a region heavily influenced by great power competition. As a result, the U.S.-China rivalry has discouraged claimant countries from taking a collaborative approach to challenge China. Second, China's economic influence in Southeast Asia has also discouraged claimant countries from taking collective action. Claimant countries have sought to preserve their economic relations with China despite China's assertive behavior in the South China Sea. Aside from these two main drivers, a collective action dilemma exists among ASEAN. Due to the divergence of interests among members regarding territorial disputes in the South China Sea, ASEAN has remained divided on challenging China's assertive behavior.

## **F. RECOMMENDATION FOR FUTURE COOPERATION**

Currently, China and ASEAN have not agreed upon the establishment of a more comprehensive code of conduct to manage conflict in the South China Sea. A code of conduct to regulate maritime activities in the South China Sea was first "mentioned in an ASEAN document in 1992 and appeared in a joint declaration of ASEAN and China in 2002."<sup>288</sup> The Declaration on the Conduct of Parties in the South China Sea (DoC) has helped prevent serious crises from breaking out in the region, but territorial disputes remain

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<sup>288</sup> Pham Ngoc Minh Trang, "ASEAN, China, and the COC Negotiation: How Relevant is UNCLOS?," Asia Maritime Transparency Initiative, September 30, 2022, <https://amti.csis.org/asean-china-and-the-coc-negotiation-how-relevant-is-unclos/>.

unresolved twenty years after its implementation. The development of a stronger code of conduct has been stalled due to the “fundamental differences in interpretation and application of UNCLOS in the South China Sea between ASEAN and China.”<sup>289</sup> Claimant countries could certainly benefit from a more comprehensive and binding code of conduct governing the South China Sea, but it remains unclear as to when the official code of conduct will be established, ratified, and implemented by China and ASEAN. Negotiations between ASEAN and China regarding the code of conduct have not made significant progress in the past 20 years.

Rather than relying on the development on the code of conduct to help settle territorial disputes in the South China Sea, claimant countries could pursue legal action as a collective or come to an agreement with China that tables the disputes. Raul Pedrozo offers two feasible alternatives that could help claimant countries settle territorial disputes in the South China Sea. One course of action would be “judicial arbitration that all parties agree to undertake.”<sup>290</sup> By initiating international arbitration to resolve the territorial disputes, claimant countries would be provided with a legal determination of which maritime features they rightfully own. The largest obstacle to this course of action would be getting China to participate. As seen in the international arbitration case between the Philippines and China that was initiated in 2013, Beijing refused to participate. Additionally, China has much more to lose compared to the claimant countries if a majority of its claimed features are deemed illegal by the international court. Based on China’s past actions in the South China Sea, it is clear that Beijing is unwilling to concede any of its claimed territory in the region.

In the case that judicial arbitration is unfeasible, all parties could formally “agree to freeze in place while tabling the issue of ultimate sovereignty in favor of a cooperative regime for resource exploitation and management.”<sup>291</sup> Compared to legal action, this course of action may be more feasible for all parties. Each of the claimant countries and

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<sup>289</sup> Ibid.

<sup>290</sup> Raul Pedrozo, “China versus Vietnam: An Analysis of the Competing Claims in the South China Sea,” *The Center for Naval Analyses*, August 2014, iii.

<sup>291</sup> Ibid.

China would be able to retain their claimed territories and take steps towards multilateral cooperation in the region. China's actions regarding exploitation of resources in the region has posed a significant threat to claimant countries. For example, China has denied Filipino fisherman from fishing in the vicinity of Scarborough Shoal, and China has acted provocatively in Vietnam's exclusive economic zone (EEZ) while Vietnam has carried out survey and drilling operations. By establishing a multilateral agreement that regulates proper resource exploitation and management, China and claimant countries could take the appropriate steps to ensure that the region's resources are properly managed. Doing so could set the stage for negotiations over settling territorial disputes in the future.

China's rise to power and the division among ASEAN to challenge China's assertiveness in the South China Sea have made it increasingly difficult for claimant countries to challenge China's claims in the South China Sea. Rather than promoting a collaborative approach to challenge China, claimant countries could pursue Pedrozo's recommended courses of action that are not overtly provocative towards Beijing.

## **G. CONCLUSION**

Ever since the United States shifted its focus to the Western Pacific in 2011, tensions in the South China Sea have risen significantly. China has leveraged its powerful military and economic development to assertively protect its territorial claims in the South China Sea. As a result, claimant countries have had to adjust their strategies towards engaging with China, the United States, and other international powers. The effects of great power competition stemming from the U.S.-China rivalry in the Western Pacific have influenced claimant countries to rely on bilateral engagement with China and bolster their security ties with major powers. In addition to the effects of the U.S.-China rivalry, China's economic influence over Southeast Asia has significantly affected claimant countries' decision-making regarding territorial disputes in South China Sea. Claimant countries have preferred to dismiss China's assertive actions in the region in exchange for economic benefits. Aside from the security and economic factors that have discouraged claimant countries from taking a collaborative approach to challenge China, the divergence of interests among ASEAN to challenge China's assertiveness suggests that a collective

action dilemma exists. Since the Scarborough Shoal standoff in 2012, ASEAN has remained divided on how to address China's assertiveness in the South China Sea. Until China and ASEAN agree upon a revised code of conduct that governs maritime activity in the South China Sea, claimant countries may not make significant progress towards settling territorial disputes in the region. Although code of conduct negotiations have stalled in recent years, claimant countries could engage in other courses of action that do not overtly provoke China to definitively resolve territorial disputes. Doing so would be a practical alternative since claimant countries have shown an overall reluctance to take a collaborative approach to challenge China.

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