

Waltzing with Goliath: Philippines' Engagement with China in Uncharted Waters¹

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1. Introduction

The bilateral relationship between China and the Philippines – two countries that are vastly different in size, political system, economic strength, and military power – may be more important than their asymmetry and dissimilarity might otherwise suggest. China's importance to the Philippines needs little explanation, and is for the most part no different from how other regional states value China as an engine of economic growth, and an important player in preserving regional and global stability. What may be of particular interest is the proposition that, from the perspective of China's aspiration of becoming a comprehensive power, the

¹ Also published in Tang Shiping, Li Mingjiang, and Amitav Acharya. *Living with China: Regional States and China through Crises and Turning Points*. Palgrave Macmillan, 2009. 173-192. Print.

Philippines may be deemed strategically important to China for at least four reasons: It is one of the claimants to South China Sea islands and waters that are also claimed by China; it is a founding member of ASEAN and one that is influential on certain issues, including the South China Sea disputes; it is formally a military ally of the United States and maintains close security ties with Washington; and it flanks Taiwan geographically.

To some observers, relations between the two countries appear to have gone through a 180-degree transformation in the last 12 years. Many who remember China's show of muscle in the disputed islands in the South China Sea and the vehemence of Philippine opposition to such Chinese assertions of sovereignty in the mid- to late 1990s would be surprised at how the Philippines and China now seem to sing only paeans for their good relations and its favorable prospects.

This chapter traces and explains this transformation. I first present a brief overview of the bilateral relations, and then examine two case studies that illustrate the dynamics of relations in greater detail. The two cases include the disputes over territory and maritime jurisdiction in the Spratly Islands and the problem of intrusions and illegal fishing by Chinese fishermen in Philippine waters. The chapter explains how these disputes have developed – by looking at the diplomacy between the two sides – and why they have not prevented normal and even cooperative relations from taking place. I argue that the global and regional strategic environment, bilateral interactions between the two states, and domestic political imperatives in the two countries have helped shape the way Beijing and Manila perceive and relate to each other, and had been instrumental in the above-mentioned transformation of bilateral ties. At the same time, I will address the reasons why certain problems remain difficult to manage.

2. Overview of Relations

Before Philippines-China relations were normalized in June 1975, the Philippines stayed away from China for fear of communist contagion, in light of a strong internal Maoist insurgency and the presence of a small but vulnerable ethnic Chinese minority. Manila's subsequent decision to normalize ties was based on the calculation of undermining Chinese support for this insurgency, tapping new sources of oil supply, and expanding relations with socialist states to balance perceived American weight in Philippine foreign policy. While relations in the last 30 years or so have been characterized by occasional frictions, on the whole they have been cordial on the political front, if rather unremarkable in terms of economic exchanges.

From low levels in the first 20 years of relations, trade relations significantly improved since 1995, and then grew four-fold from 2000 to 2005 with the Philippines enjoying a trade surplus of US\$8.1 billion in 2005. By 2004, China had become the fifth largest trading partner of the Philippines.² Protectionist impulses resulted in Philippine reluctance to sign on to the "early harvest" program that China offered as part of its free trade agreement with ASEAN, but the Philippines decided to participate in 2005 and the two countries have now set an ambitious target of US\$30 billion two-way trade for 2010.³

Philippine direct investments in China grew from US\$16.3 million in 1992 to a still insignificant US\$186 million in

² Secretary of Foreign Affairs Alberto G. Romulo to the Chinese Academy of Social Sciences. *Contemporary Asia-Pacific Studies* 4 (2005).

³ Philippine Department of Trade and Industry. Philippine statistics record growth from US\$869 million in 1995 to US\$6.71 billion in 2005. Official figures from China report much higher figures: from US\$3.14 billion in 2000 to US\$13 billion in 2004 to US\$17.6 billion in 2005.

2002 (Liao “Sino-Philippine”). China’s biggest investment commitment to the Philippines thus far is for the North Luzon Railway development, for which China pledged US\$900 million in preferential loans in 2004. Prior to this project, PRC investments accounted for only two percent of total FDI to the Philippines, compared to 26 percent from Taiwan and 37 percent from Japan (Judan “Business China”). China has of late expressed strong interest in agricultural cooperation, mining, infrastructure and energy development in the Philippines. It is also now the fastest growing source of tourist inflows into the Philippines.

The improvement in political and security relations was evident in high-level exchanges that have taken place in the past few years. In 2000, the Philippines and China signed a “Joint Statement on the Framework for Bilateral Cooperation in the 21st Century.” A memorandum of understanding on defense cooperation was signed in November 2004, resulting in the convening of a defense and security dialogue in 2005. Presidents Gloria M. Arroyo and Hu Jintao described the relationship of the two countries in 2005 as being on the threshold of a “golden age of partnership.” China also offered US\$1.2 million in military assistance to the Philippines, invited the Philippines to participate in joint maritime exercises, and agreed to train Philippine military officers.

This was indeed a sharp departure from the mid-1990s, when Chinese occupation of Philippine-claimed Mischief Reef in the Kalayaan Islands (Spratlys), frequent incursions by its vessels into the Philippines’ maritime zones, and missile tests across the Taiwan Straits, led to increasing concern over an emerging China threat. Although the status of the disputed territory remains unresolved and occasional tensions continue to arise, both sides have made efforts in bilateral and lateral settings to minimize potential triggers of conflict, improve mutual trust, and address the disputes through normal diplomatic channels.

3. Conflict and Competition over Maritime Resources

One factor that has indeed weighed heavily upon bilateral relations is escalating competition and conflict over maritime resources. China claims a maritime territory of 3 million sq.km in addition to its land territory of 9.6 million sq.km. (Wu “Competition”). The Philippines on the other hand is an archipelagic country, whose 7,100 islands and 36,000 km stretch of coastline are connected by waters that are not only important transportation and communication links but also vital sources of food, livelihood, and potentially energy. Both countries arguably suffer from huge populations, over-exploitation of resources, environmental crises, and energy dependency, thus making control of the surrounding maritime spaces a matter of national interest. That they happen to share the same maritime space – the South China Sea – has led to disputes over territory, water and access to resources that have become core issues in their relations.

3.1 *Competing Interests in Maritime Resources*

Aside from threats to freedom and safety of navigation, the contest for hydrocarbon resources is considered a primary flashpoint in the South China Sea. The area is believed to be sitting atop oil deposits estimated at a low 2.1 billion barrels (U.S. estimate) to 7.5 billion (Russian estimate) and a high 105-225 billion barrels (Chinese estimate) (Blanche, B. and Blanche, J. 511)⁴ and natural gas deposits believed to be at

⁴ Also cited in Craig Snyder. “The Implications of Hydrocarbon Development in the South China Sea.” *UBC Faculty of Law Online*. The University of British Columbia. Web. September 6, 2013. See also, “South China Sea Oil and Natural Gas.” *Military. Global Security Online*. 2000. Web. May 29, 2007.

266 trillion cubic feet (*U.S. Energy Information Administration Online*). The littoral states, including Malaysia, Brunei, Indonesia, Vietnam, South China, and the Philippines either have proven petroleum reserves or significant oil geology structures.

China is already the world's second largest oil consumer, and is expected to account for one-third of the annual increase in Asian demand for oil, and one-half of the increase in demand for natural gas until 2025. Its offshore oil production has been growing at 15.3 percent per year on average from 1996 to 2004, with 2004 production levels accounting for 16.2 percent of China's total domestic supply (Zweig and Bi "China's Global Hunt"). China National Petroleum and Chemical Corp and China National Petroleum Corporation have been authorized to conduct offshore exploration and production in the South China Sea and the East China Sea since 2000. In order to better coordinate the new thrust in offshore energy development, the Chinese government in May 2003 issued its "Outlines of National Marine Economy Development Plan" (*State Oceanic Administration People's Republic of China Online*). It is against this backdrop that the contest for energy and for jurisdiction over maritime zones in the South China Sea is seen as a core issue in Beijing-Manila relations.

Fishing disputes in the South China Sea have also become a major irritant in relations, and are closely linked to the questions of sovereignty and security. The South China Sea is estimated to produce 10 percent of the world's annual fisheries catch – over five million tons a year ("Asian Nations" *Environment News Service Online*). Fish catch from the Sea constitutes a significant percentage of production – over 20 percent of the total annual production for the Philippines and 22 percent of total marine

capture fisheries for China.⁵ The Philippines used to rank among the world's major fishery producers; it still has one of the highest per capita consumption of fish in the world. Small-scale fishers from Palawan province as well as some commercial fishers based in other Philippine regions frequent the Spratlys area. Chinese occupation of Mischief Reef was in fact discovered when in January 1995, a group of Filipino fishermen reported to Philippine military authorities that they had been detained by Chinese troops on the reef, which had previously been thought unoccupied. There have also been instances where Filipino fishermen were captured by Vietnamese soldiers while collecting sea cucumbers near Vietnamese-occupied islets,⁶ and where crew of Filipino fishing companies were arrested and jailed by Malaysian authorities for operating in overlapping waters.

At present, however, there are efforts on the part of the Philippines and China to de-escalate the tensions over the Spratlys and to transform competition over fisheries and energy resources into cooperation.

3.2 From Hostility to Joint Energy Exploration in the South China Sea

Up until the 1980s, Vietnam and China were perceived to be the major antagonists in the South China Sea disputes, as

⁵ China's 1997 catch from the South China Sea was reportedly 22.6 percent of total marine catch. See *NOAA Central Library Online*. National Oceanographic Data Center. Web. October 4, 2003; Philippine figures are from the Bureau of Agricultural Statistics. Fisheries Statistics of the Philippines 1997-2001. Quezon City: Department of Agriculture, 2002. Print.

⁶ Author's personal interview with the victims from Mangsee Island, conducted in Puerto Princesa, Palawan, 1996. Two fishermen were detained by Vietnamese troops for close to a month, but the incident was never officially reported in the Philippine media.

they had military confrontations in 1974 in the Paracels and in 1988 in the Spratlys. There were few incidents in the Spratlys involving Manila and Beijing – other than arrests of Chinese fishermen who had strayed into Philippine waters.

In 1988, Deng Xiaoping issued a call to South China Sea claimants to “shelve the sovereignty issue, engage in joint exploration and exploitation of maritime resources, and work towards a peaceful resolution of the issue” (*Kyodo News International* 1988). But many of China’s subsequent actions tended to aggravate tensions with other claimants: its passage of the 1992 Law on Territorial Sea and Contiguous Zone reiterating extensive claims over the entire South China Sea, awarding of oil exploration contracts in disputed areas to foreign oil companies, staging of major military maneuvers by the South Sea Fleet, building of a new airstrip in the Paracels, and its occupation of Mischief Reef, among others.

In May 1994, the Philippines allowed an American company Alcorn to conduct a “desktop exploration” of the oil and gas potentials of the Reed Bank just off its Palawan province. It was later that year when China occupied Mischief Reef (also known as Panganiban/Meiji Jiao) 135 nautical miles off Palawan, and this became the turning point for Philippine policy towards its Kalayaan Island claims and towards China. When confronted by Philippine authorities for an explanation of their presence on Mischief Reef, the Chinese Foreign Ministry initially denied knowledge of the structures, and then after several weeks claimed that they were built by the local fishing authorities of Hainan province as fishermen’s shelters. The delay in the Foreign Ministry explanation may be interpreted as an indication of certain quarters in China – possibly locally based actors – taking actions with serious foreign policy implications independently of the central government. There was also speculation that Jiang Zemin’s administration, perceived to have weak support among

the PLA at the time and under fire from party conservatives for failing to resist pressures from the U.S., allowed this relatively low-intensity assertion of sovereignty in order to assuage his critics.

From this point onwards, tensions escalated between the Philippines and China. The Philippine navy blew up territorial markers that PRC forces had set up on various other unoccupied islets, while the government called for Chinese withdrawal from Mischief Reef. The Philippine air force and navy stepped up patrols, leading to more frequent and highly publicized arrests of Chinese fishermen in the area. The Philippine government even allowed a group of international journalists to organize a tour to Mischief Reef aboard a Philippine navy ship, an action deemed provocative by the Chinese.

Nonetheless, despite the wide chasm of suspicion and open animosity between the Philippines and China generated by this sequence of events, the two governments did not allow the disputes to totally disrupt the normal course of relations, as evidenced by growth in trade and continuing dialogues. Only months after Philippine discovery of Chinese occupation of Mischief Reef, Manila and Beijing successfully concluded an agreement which laid out “principles for a code of conduct” in the South China Sea.

The “principles,” obviously intended as a starting framework rather than a binding resolution to the problem, included the following:

- settlement of disputes in a peaceful and friendly manner through consultations on the basis of equality and mutual respect;
- refraining from using force or threat of force to resolve disputes;
- reliance on recognized principles of international law, including the UN Convention on the Law of the Sea

(UNCLOS);

- keeping an open attitude on possible multilateral cooperation in fields such as protection of the marine environment, safety of navigation, prevention of piracy, marine scientific research, and other functional areas;
- limiting dispute settlement to the countries directly concerned; and upholding freedom of navigation in the South China Sea.

Certain subtexts could be read into the Code of Conduct agreement: There was mutual recognition that the disputes are anchored on material interests, but at the same time an attempt to define norms and values as the bases for addressing the conflicting interests. To one familiar with the respective positions of China and the Philippines and the dynamics of the 1995 discussions, China's message to the Philippines may indeed be read as such:

Be assured that we will not use force, nor try to bully you. We will treat you with equality and respect. We hope to resolve this dispute peacefully and bilaterally – albeit gradually – using international law. In the meantime, we need to keep the harmony in the region. Let's not get other (unnamed) parties involved. We pledge to uphold freedom of navigation, so these other parties really have nothing to worry about.⁷

China, conscious of the growing international-level rumblings about “the China threat” and in the early stages of security engagement in the ASEAN (Association of Southeast Asian Nations) Regional Forum (ARF), may have been trying to downplay the tensions, contain the conflict and prevent external

⁷ The author was a member of the Philippine delegation negotiating the bilateral code of conduct. These analyses are based on personal observations of the process during the height of the Mischief Reef crisis in relations.

(read: U.S.) interference in the issue, which it emphasized as being bilateral.

On the other hand, the Philippines' message to China may be interpreted as the following:

We expect China to respect international norms, to be sensitive to Philippine security concerns and rely only on peaceful settlement. If you do, we may opt to be pragmatic about this, and to cooperate bilaterally. We can start gradually and with less sensitive issues such as marine environment, scientific research, etc., but eventually we should find a multilateral approach and bring in other parties that are directly concerned, particularly the other claimants in ASEAN.⁸

The Philippines indicated that it was not interested in having a long, drawn-out conflict with China but that China will have to modify its behavior to regain its trust.

The code of conduct principles, unfortunately, did not go too far in constraining China's assertions of sovereignty. Subsequently, however, China did demonstrate efforts to refine its approach to the dispute. In early 1996, when Beijing unilaterally declared straight baselines around the Paracels, it did not include the Spratlys and even justified the move as part of its efforts to comply with UNCLOS (although Indonesia and the U.S. criticized it for faulty interpretation of the Law). In late 1998, China expanded its Mischief Reef presence from the so-called fishing shelters into what Philippine defense authorities described as an “emerging military facility” equipped with helipads, gun platforms and radars. Before doing so, however, China notified the Philippines and other ASEAN governments through their embassies in Beijing that “repairs and renovations” would be taking place. In other words, Beijing did not step back from its position that it had “indisputable sovereignty” over the South China Sea,

⁸ *Ibid.*

but it sought to give the appearance that it was complying with international law and being more sensitive to the neighbors' norm expectations.

China is in fact not the only party guilty of unilateral assertions of sovereignty or provocative acts. In 1999, frustrated with growing Chinese presence on Mischief Reef and surrounding waters, and following a failed round of talks with China where the proposal for joint use of Mischief Reef was shot down, the Philippine navy on two separate incidents intercepted Chinese fishing boats in nearby Scarborough Shoal, and according to their official report, "accidentally sank" two vessels ("China" 12).

Philippine frustration with the bilateral track with China led it to once more explore multilateral options of dealing with the disputes, including pushing for a regional code of conduct in the South China Sea that would be more binding than the 1995 bilateral principles. China, by this time, had chalked up experience in discussing the disputes multilaterally with ASEAN. A series of annual ASEAN-China Senior Officials Political Consultations had been held since April 1995 where much of the initial focus was on the territorial and maritime disputes. By 1996 China had attained the status of a full ASEAN dialogue partner. In 1997, a first ASEAN-China summit was held, resulting in a joint statement which said, with respect to the South China Sea disputes, that the two sides undertook "to continue to exercise restraint and handle differences in a cool and constructive manner."

At the 1998 summit, ASEAN expressed its desire to have a regional Code of Conduct, hoping that this could prevent the further escalation of the disputes. At first, China resisted ASEAN's proposal for a code, citing its previous joint statements with ASEAN as sufficiently expressing commitment to peaceful resolution of the disputes. But with ASEAN's persistence, China finally gave way. An ASEAN-China Declaration on the Conduct

of Parties in the South China Sea (DOC) was finally agreed upon in November 2002. It was the first formal multilateral agreement on the South China Sea and raised some hopes of further Chinese compromises in the making. Some analysts saw this as confirmation that China showed an increasing receptivity to international norms in its foreign policy behavior, while others simply noted a shift in China's approach to ASEAN. The DOC fell short of the original expectations of a more binding pact, but it was nevertheless seen as a building block to peace in the South China Sea. However, many remain skeptical as to the prospects of putting the agreement into practice.

The signing of the DOC paved the way for the Philippines and China to agree in 2004 to initiate a Joint Marine Seismic Undertaking as a possible first step to joint development in disputed areas. The accord was signed between the state-owned Philippine National Oil Company and the China National Offshore Oil Company, and provided for the parties to engage in joint research of petroleum resource potential of a certain area of the South China Sea. Many were surprised at the backtracking by the Philippines from its preference for the multilateral approach. By initially agreeing with China to leave out Vietnam, the Philippines severely undermined its own past efforts in building ASEAN unity and solidarity on the issue. Vietnam was furious at what it saw as the sell-out to China. It hesitated to join the accord when it was opened to it after the Philippines-China agreement was made public. Yet, faced with the undesirable alternative of being left out, PetroVietnam came on board in March 2005 with what became a Tripartite Marine Seismic Undertaking.

In a joint statement, the three state-owned oil companies declared that the signing of the tripartite agreement "would not undermine the basic positions held by their respective governments on the South China Sea" (referring to the claims of

sovereignty), but would help turn the disputed area into an area of “peace, stability, cooperation, and development in accordance with the UNCLOS and the 2002 DOC” (“Joint Statement” 2005). During the signing ceremony in Manila, Philippine President Arroyo also called the agreement “a breakthrough for our energy independence program.” Chinese Ambassador Wu Hongbo called the agreement “a good example for the countries concerned to resolve the South China Sea issue in a peaceful way;” while Vietnamese ambassador Dinh Tich said “We have to look for the best thing for the region, for our interest. We have to do it collectively” (“Philippines” *People’s Daily Online*).

In the Philippines, critics of the agreement expressed concern that positive oil and gas findings will immediately heighten security tensions among the claimants, given the yet unsettled sovereignty question. On the other hand, supporters of the project argue that the present stable security environment and the inclination of countries to pursue regional cooperation present a window of opportunity that must be seized now: i.e. it is better to deal with China now than with an even more powerful irredentist China later; and far better for the parties to explore and exploit the oil together than forego all chances of doing so by insisting on settling the sovereignty issues first.

Aside from this logic, there are also indications that providence played a key role in bringing Manila and Beijing closer together in support of joint energy development. The key decision makers on the Philippine side were President Arroyo, Speaker of the House of Representatives Jose de Venecia, who ranks fourth in the Philippine political hierarchy, and president of the Philippine National Oil Company Eduardo Mañalac. Arroyo is an economist by training, with a long standing interest in China; De Venecia has been associated with Philippine Landoil Resources Group and other oil interests since the 1970s; while Mañalac is an oil geologist who spent many years working with ConocoPhillips

in China, and was even awarded by the Beijing government for leading major oil finds in China’s Bohai Gulf. The confluence of their pragmatic interests and positive outlook toward China may have been a crucial ingredient in the Philippine policy shift, but as will be explained later, the larger strategic environment was also a determining factor for greater mutual accommodation.

3.3 Management of Fishing Disputes: State Engagement on behalf of Local Constituents

The fishing disputes in or near the Spratlys also make for an interesting case study in diplomatic engagement between Manila and Beijing, in particular because there are local stakeholders putting pressure on both governments – fishermen especially from Hainan and Guangdong provinces on the part of China, and environmentalist groups from Palawan province on the part of the Philippines.

Hainan province is China’s designated local authority to regulate maritime economic activities in the South China Sea, with supposed jurisdiction over 76,000 sq.km of fishing ground (Zha 575-598).⁹ As of 1997, 13,600 mechanized fishing vessels were registered in Hainan province with a total catch capacity of 186,700 tons, after the province began encouraging state-owned, collective-owned, and privately-owned operators to help in upgrading the province’s fishing vessels.¹⁰ The Philippines is feeling the consequences of this policy in terms of frequent Chinese intrusions and poaching both in the Spratly Islands and in its internal waters.

The Philippine Navy became much more vigilant against Chinese fishermen following the Mischief Reef incident,

⁹ Citing *Zhongguo Haiyang Nianjian*. 90 (1987): 289. Print.

¹⁰ *Ibid.*

evidenced by their increasing arrests on charges of illegal entry, poaching, capture of endangered species, and/or the use of illegal and environmentally-destructive fishing methods. The number of arrests and charges filed, however, paled in comparison to the actual numbers of Chinese fishing vessels and appeared to be more for purposes of symbolic deterrence, rather than a strict enforcement of Philippine sovereign laws. It is also noteworthy that beginning in 1997, arrests were only effected within undisputed boundaries of the Philippines where enforcement of Philippine laws cannot be questioned, rather than in the disputed areas of the Spratlys.

Philippine authorities suspected that Chinese fishermen were deliberately encouraged to enter Philippine waters as part of China's assertions of sovereignty, especially as many of the fishermen who were apprehended were not one-time offenders. The warden of the Palawan Provincial Jail, where the fishermen would be detained pending trial, asserted that there were a number of repeat offenders among the detained Chinese fishers, and that many of them "did not look like fishermen."¹¹ This suspicion is somewhat reinforced by a *Hainan Ribao* report that the captain of Hainan-registered private vessel *Qiong 03019*, one of the two vessels in the 1999 Scarborough Shoal sinking incident, promised that he would use the compensation money paid by the Philippine government to "purchase new fishing equipment and continue fishing in our motherland's Nanhai" (Zha 575-598). On the other hand, one captain of a Chinese fishing boat who had had such an experience described his predicament:

We are fishermen. We are not concerned with those kinds of [sovereignty] problems. We have been fishing here for generations. Where there are no people around, we fish. When we see military men, we stay away (Zha 575-598).

¹¹ Author's interviews with the warden of Palawan Provincial Jail in 1999, at a time when over 70 fishermen from Hainan province were detained.

The increase in the numbers of Chinese fishing vessels venturing out has forced the two governments to examine the fisheries question in bilateral consultations. The Chinese government has reportedly asked the Philippine side to allow "normal fishing operations" to take place unimpeded in the Spratlys, pending the conclusion of a fisheries agreement that would allow their fishermen access to an area in the Philippine exclusive economic zone (EEZ). The Philippine government continues to resist having such an agreement. With respect to Chinese nationals in detention, Chinese negotiators claim that their government faced pressure from the families and communities of the arrested fishers whose livelihoods back home were affected. As a concession, Philippine authorities routinely release the elderly and minors who are captured with the rest. On their part, Chinese negotiators extend assurances that their government will make an effort to educate their fishermen on environmental laws and proper fishing practices.

To many Filipinos, resource-rich Palawan province which faces the Spratlys, is considered a last frontier and a natural haven, after decades of abuse and unplanned development that had already denuded forests and water systems in other parts of the country. More than the government in Manila, it is the local environment advocates of the province – forming private-public sector coalitions – who strongly oppose Chinese fishing presence. While illegal fishing is done not only by Chinese but also by other foreign as well as Filipino fishers, the environmentalists of Palawan are especially angered by Chinese poachers who go after prized marine turtles, a protected species under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), as well as live corals and aquarium fishes. Moreover, the use of cyanide and dynamite highly dangerous to coral reef habitats is a common practice among them. Chinese fishermen have even been apprehended at Tubbataha Reef, a

world heritage site for marine biodiversity in the Philippines' Sulu Sea, far away from the Spratlys. Because China is also a signatory to the CITES, and increasingly becoming an important player in initiatives for global environmental cooperation, it behooves China not to tolerate practices of its citizens that do great damage to the marine environment.

The active non-government organization community of Palawan has found allies among fisheries officials in the province as well as marine scientists, environmental lawyers, and the academics. Together, through the Palawan Council for Sustainable Development, they have been at the forefront in upholding Philippine laws on illegal fishing against Chinese fishermen, taking great pains to ensure their prosecution. They have also strongly criticized officials of the Philippine foreign ministry, the Chinese Embassy in Manila, and even Palawan-based Chinese Filipinos (*Feilubin huaren*) for perceived political interventions on behalf of the detained fishermen.

Negotiations between the two states have been made difficult by the apparently irreconcilable interests of the respective local actors in Hainan and Palawan – the former pushing for freedom to undertake resource exploitation, and the latter clamoring for conservation and marine environmental protection. Again, however, there may be subtexts in the negotiation: Even by appearing to speak for its fishermen, the Chinese government may still be engaged primarily in asserting state sovereignty, and even as it invokes environmental protection and sustainable development norms, the Philippine government may in fact be pursuing the utilitarian state goal of fending off Chinese encroachment. But it is the active involvement of local stakeholders, who operate outside the control of the state, that helps explain why, to date, there has been no meeting of the minds on the fisheries disputes, whereas on the more sensitive oil and sovereignty issues, some headway appears to have been made through state-led efforts.

Even on the fisheries issue, however, bilateral diplomacy has succeeded in gradually de-linking the resource exploitation/conservation dispute from the highly politicized territorial and sovereignty disputes. China has accepted Philippine jurisdiction over Chinese fishermen who are apprehended inside the territorial waters of the main Philippine archipelago. China continues to make representations that its fishermen be allowed access to the Philippine exclusive economic zone, even if such EEZ lies within China's claimed areas. The Philippine government, on the other hand, has delegated management of Chinese fishermen to the appropriate courts, fisheries and environmental authorities of the country rather than treating them as threats to national security.

4. What Lies behind Engagement and Cooperation?

Without doubt, other domestic actors and domestic political imperatives have played a big role in defining the cooperative trend in Philippines-China bilateral relations. From the Philippine perspective, one crucial factor persuading national decision makers to make peace with China was the resurgence of persistent threats to internal security in the form of Muslim separatism, armed left-wing insurgency, and right-wing military rebellion. These meant that the Philippine military would be too preoccupied with internal armed challenges to effectively confront any external threat. Moreover, it would have to rely on its U.S. ally to secure external defense. On China's part, the attention of its leaders was likewise focused on the need to maintain a peaceful and stable external environment in order for it to successfully manage the internal social contradictions arising from globalization and market reforms and to preserve social harmony, which were increasingly seen as vital to the

continuing legitimacy of the Chinese Communist Party.

But the ups and downs of Philippines-China relations in the post-Cold War period can only be fully understood in the context of the changing global and regional security environment. Two most relevant features of this strategic environment are 1) the U.S. dominance in a unipolar order accompanied by the rise of China to great power status, and 2) the rapid spread of regionalism and multilateralism in East Asia, with ASEAN playing a central role.

4.1 U.S. Dominance, U.S.-Philippine Ties, and Sino-Philippine Engagement

In the Philippines, the end of the Cold War was initially seen as a diminution of the relevance of its vintage 1950s military alliance with the U.S. This partly led to the decision by the Philippine Senate, under strong pressure from a resurgent nationalist movement, to close down what had been major American naval and air bases in the country in the early 1990s. For China, the end of the Cold War also raised hopes that a new peaceful and multipolar world order would emerge. However, vestiges of the Cold War remained in East Asia due to the tense situation across the Taiwan Strait and on the Korean peninsula. These, together with the uncertain security implications of China's own rapid rise as a power, provided Washington justification for continued military presence in South Korea and Japan, the strengthening of its alliances with Japan and Australia, and its conclusion of new security agreements with Singapore and Indonesia.

China's occupation of the Mischief Reef in the mid-1990s was a significant factor in shaping Philippine policy towards Beijing and U.S.-Philippine relations. China's "creeping occupation" of the Spratlys was cited as the major justification behind the Philippine Senate's approval of an ambitious 15-year armed

forces modernization program just weeks after the Mischief Reef incident (although the program was scuttled following the 1997 Asian crisis). Fear of China also paved the way for the 1999 approval by the Philippine Senate of a new Visiting Forces Agreement (VFA) with the U.S. that allowed U.S. troops back into the Philippines for training and other activities, for the first time since the U.S. military facilities in the Philippines were shut down.

The then chairman of the Senate Foreign Affairs Committee Blas Ople, who later became secretary of Foreign Affairs, stated in his argument in favor of the VFA that "...the one factor that restrains China's military hawks is the realization that the Philippines is bound to the U.S. by a Mutual Defense Treaty" ("The VFA" *Sanggunian*). Ople's view, shared widely at the time within the Philippine defense establishment, presaged a pragmatic reassessment of the downscaled security relations with Washington. Manila's subsequent decision to revive military cooperation with the U.S. highlights how China's assertive behavior on Mischief Reef had resulted in an outcome least favorable to China's own interests – paving the way for an early U.S. military comeback to the Philippines.

After the September 11, 2001 attacks by al-Qaeda terrorists on the U.S., the so-called global war on terror gave additional grounds for U.S. military presence in Southeast Asia, which the Bush administration touted as a "second front" in the war on terror due to the presence of some radical Islamists. Because the Philippines, too, faced threats in some Muslim-dominated southern islands from separatist political movements and quasi-ideological criminal organizations, Washington and Manila saw fit to restore their close security ties. The Armed Forces of the Philippines welcomed the opportunity to mend ties with the U.S. and to become once more a beneficiary of American military largesse.

Before long, China began to suspect that the consolidation of U.S. security cooperation not just with the Philippines but with other countries surrounding China – while ostensibly for purposes of controlling terrorist activity – was ultimately part of a new U.S. strategy of encirclement directed against China. China's attitudes towards U.S.' regional alliances, heretofore tolerant, became more resentful and China began to more explicitly challenge the role of such alliances.

The United States perceptions of China as a potential challenger and destabilizer can be traced to several factors: China's poor record of human rights and democracy, its ambitious military modernization program, increasing nationalism and assertiveness, weapons sales and provision of missile technology to countries perceived hostile to the U.S., and irredentist claims over Taiwan and the South China Sea. Despite post-9/11 anti-terror cooperation between Beijing and Washington, Washington was also bound to focus on China as an emerging threat for the reason that U.S. military power was in need of a post-Cold War *raison d'être*, and China appeared to be the best candidate on the horizon. In addition, the apparent resilience of China's authoritarian communist leadership frustrates the U.S. goal of expansion of liberal democracy. The more recent discourse over how a so-called "Beijing consensus" may be emerging as a viable alternative development paradigm to the failed neoliberal "Washington consensus" indeed tends to exacerbate this perceived ideological rivalry between the two great powers of the Asia Pacific.

Manila does not necessarily share all of Washington's concerns, but it does fear that China, possibly succumbing to nationalist pressures, will manifest military assertiveness with respect to its territorial and maritime claims. However, setting aside the effect of these disputes, the indications are that most Filipinos have not really bought the "China threat" theory. Despite their geographic proximity, there is little in their history of relations

per se to justify Philippine threat perceptions of China. Their willingness to not only engage but cooperate with China, even on issues directly related to this bone of contention, show the strategic preference for good relations.

The emergence of U.S. hegemony and the growth of Chinese power confront the Philippines with a number of choices. The question that arises is not whether China will become the region's next power, but what kind of regional power it is likely to evolve into – a dissatisfied and revisionist one, or one content with the status quo of having to play second fiddle to the U.S. From the Philippine state's perspective, the preferred scenario is still the latter. Therefore, while returning to a close security relationship with the U.S., the Philippines needs to avoid worsening its own security dilemma with China. It has to learn to manage relations with both Beijing and Washington and draw maximum advantage from the current context. For the moment, neither bandwagoning with nor balancing against Beijing, the Philippines is pursuing comprehensive engagement with China even while acknowledging the existence of disagreements. This explains Manila's dual strategy of cooperation with and resistance against China in the Spratlys and marine resources disputes.

On China's part, it has to reassure the Philippines of its non-aggressive intentions to avoid becoming a target of the Philippines-U.S. alliance. This is particularly important to China in any future scenario of U.S.-China conflict in the Taiwan Strait, given the proximity of the Philippines to Taiwan. This is perhaps the most significant factor in shaping China's willingness to compromise and cooperate in the two cases studies above. In more general terms, both the Philippines and China are aware of the possibility that conflict between them might invite U.S. intervention (which China does not want) and exacerbate Philippine security dependence on U.S. (which the Philippines does not want).

4.2 ASEAN-centered Regionalism and Multilateralism

Philippine foreign policy in the 1990s has increasingly become integrated with and defined by the positions taken collectively by the ASEAN on a wide range of issues. At the same time, the Philippines sees ASEAN as an arena for the promotion of its primary economic and security interests, including the management of its relations with China. China, on the other hand, also values its cooperation and relations with ASEAN due to economic, political, and strategic reasons. In fact, China has taken an active role in ASEAN-related multilateral mechanisms in the past decade. It is in this context that we can better understand Sino-Philippine ties and how the two countries managed to overcome the turning points in their bilateral relations.

From China's perspective, cooperation with ASEAN could imaginably serve a number of Beijing's strategic purposes.

First, ASEAN's avowed principles of peace, freedom, and neutrality, as well as preference for cooperative security and reliance on multilateral diplomacy, could help China secure a balance of power and a more stable and harmonious environment in its periphery. Second, because of similar past positions on human rights and their common adherence to the principles of sovereignty and non-interference in internal affairs, ASEAN is seen as a potential ideological ally in China's resistance to perceived Western domination. Third, closer ties with ASEAN would help undercut attempts by other powers to portray China as a threat to the security of its neighbors, and therefore frustrate the "containment" strategy directed against it by the U.S. and its allies. Fourth, China is intent on preventing ASEAN recognition and support for Taiwan's moves towards independence. Finally, and perhaps most important of all, with the worsening competition for influence between China and

other major powers, ASEAN represents China's best hope of being accorded the recognition and respect as a legitimate power in Asia that it so desires. The U.S., Japan, and emerging India are likely to resist China's attempts to increase its influence, while many in ASEAN seem prepared to acquiesce to it. To quote former Philippines National Security adviser Jose T. Almonte:

I believe ASEAN can live with the idea of China as the East Asian superpower. All it asks is that China keep in mind that demographic magnitude, economic weight, and military power by themselves do not command respect. Respect can be earned only if a superpower's attributes include moral authority. If Southeast Asia has no other alternative to learning to live with its giant neighbor, so must China learn to coexist with its smaller neighbors as virtual equals ("Asia-Pacific" *Asia Times*).

The role that the Philippines can play in the ASEAN framework to either support or frustrate China's regional goals is of some consequence to China. Within ASEAN, the Philippines has at least the potential to tilt the balance against Chinese interests in a number of issues, if it so desires and under conducive conditions. These are on human rights and democracy (the Philippines – particularly civil society – being the strongest advocate for both among the ASEAN-10), on the U.S.-Taiwan issue (because of its military alliance with the U.S.), and as demonstrated earlier, on the South China Sea issue. China can prevent this by strengthening its own cooperation with the Philippines, as well as with ASEAN. At the same time, ASEAN's positive attitude towards China strengthens Philippine confidence in its own decision to engage China.

Against this larger context, the Philippines and China have a shared interest in maintaining normal relations and avoiding an escalation of conflict in the maritime arena, as exemplified in the two case studies. Conflict will exacerbate perceptions of the China threat, possibly affecting the atmosphere of ASEAN-

China relations which at present is greatly advantageous to both China and the Philippines.

5. Conclusions

Philippines-China relations continue to be characterized by low-level disputes over conflicting territorial claims in the South China Sea, and related competition over energy and fisheries resources. Manila appears to pursue three tracks for managing its disputes with China: bilateral engagement focused on confidence building measures and finding ways to cooperate; multilateral dialogues through ASEAN directed at sustaining low-level pressure on China and binding it to preferred norms of behavior; and keeping the military alliance with the U.S. ready just in case the first two are unsuccessful. In the meantime, growing economic interactions and active political and people to people exchanges are helping to improve the overall climate of bilateral relations.

China's primary concern seems to be to prevent the Philippines from resorting to the third option. Chinese analysts will likely remember that at the time of the Mischief Reef occupation, the Philippine-American alliance was actually in limbo, and it was the occupation that served as the catalyst to bring it back to life through the VFA and through the U.S.-assisted Philippine defense reform program. This puts the burden on China to demonstrate that there should be at least some efficacy in the bilateral and ASEAN regional approaches, for the Philippines to stay interested and for it to keep the prospect of U.S. intervention remote. However, the Chinese can expect that – because the Philippines sees the U.S. alliance as important to its overall defense capability building efforts, as well as to its internal counter-terrorism and counter-insurgency requirements

– the alliance will continue to be a background factor with at least potential influence on Sino-Philippine relations.

In the course of the last decade or so, China and the Philippines have both demonstrated some lack of consistency in policy and approach. To many observers, Beijing seems to say one thing and do another, giving assurances of peaceful and cooperative intent while continuing unilateral acts of asserting sovereignty; but also saying that its sovereignty is indisputable, and yet sitting down to negotiate agreements that may constrain this sovereignty. The Philippines, on the other hand, tried to draw international attention to Chinese bullying on many occasions, then turns around, accepts military assistance from China, and invites China to study prospects for oil in its own EEZ. It appears willing to share oil, but not fish which is a lot less strategic as a resource. It works hard to develop ASEAN solidarity on the South China Sea issue, and then undermines such solidarity by keeping Vietnam and everyone else in the dark about a major agreement with China.

These are puzzles that need to be explained, but not all inconsistencies are necessarily bad, as some inconsistencies may indicate flexibility – or perhaps, in the constructivist view – social learning. Flexibility also portends compromise. Indeed, in the course of its engagements with the Philippines and ASEAN on the South China Sea issue, China has had to step back from and adjust its original positions, such as agreeing to the Declaration of Conduct and subsequently, to Vietnam's participation in the seismic survey project originally intended as a bilateral project with the Philippines. One can only hope that such flexibility and compromise will be rewarded by mutually beneficial outcomes for those concerned.

For the Philippines, pursuing diplomatic engagement with China on the fisheries and maritime territorial issues can be likened to waltzing with Goliath, awkwardly stepping forward,

backward, and to the side, while trying not to get crushed by the giant. For both China and the Philippines, asymmetric countries separated (or united, as some may prefer to see it) by a mass of water, living with each other has been an occasion for much learning to take place.

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