Despite China’s strong economic influence over Southeast Asian countries, tensions in the South China Sea have been flaring up again this year, as domestic oppositions and external interventions create dilemma for Southeast Asian governments.

After a couple of relatively stable years in the dispute over the South China Sea (SCS), tensions have been flaring up again this year. We have witnessed Vietnamese and Chinese deployments of oil-rigs and ships, the sinking of a Philippine fishing boat reportedly by a Chinese vessel, and frequent and unprecedented operations conducted by the US and its allies.

This policy brief contributes to the analysis of the SCS issue by evaluating to what extent China can influence other claimant countries over the

RECOMMENDATIONS

- When considering joining the freedom of navigation operations in the SCS Denmark should consider that foreign interference will likely escalate Chinese military activities.

- Denmark’s delicate relationship with the US and China must be carefully evaluated and managed.

- As a major maritime nation it is important for Denmark to secure a free sea through diplomacy and UN institutions.

- European countries have much room to enhance their contribution to regional development in Southeast Asia.
The increased operations and involvement of other countries, in particular the US, have made the situation even more risky and complicated for claimant countries to handle.

“From January to April this year, China sent a large fleet of vessels to block Philippine-held Thitu Island in order to stop heavy military construction there, which prompted a rare threat from President Duterte, that he would transform the soldiers’ task into a ‘suicide mission’.”

maritime dispute through trade and investment. In other words, can China buy peace in the South China Sea?

As will be discussed, the lure of economic benefits is having a significant impact on the attitudes of Southeast Asian governments towards the SCS issue. This is not least because China’s Belt and Road Initiative, an ambitious infrastructure investment initiative stretching from East Asia to Europe and other continents, meets their national development needs. However, domestic opposition to China’s economic soft power and military hard power, as well as the continued pursuit of sovereign independence by Southeast Asian countries, determine that their cooperation with China is tactic, and that they remain ready to bring in external forces to push back against China. The increased operations and involvement of other countries, in particular the US, have made the situation even riskier and more complicated for claimant countries to handle.

The following sections will analyse China’s economic relations and maritime disputes with the Southeast Asian countries, focusing mainly on Vietnam and the Philippines.

Locked in a standoff

In 2014 a major crisis erupted when the deployment of a Chinese oil-rig led to a fierce standoff and collisions at sea, as well as violent protests against foreign businesses in Vietnam. Since then Vietnam’s criticism of China has been subdued because of its delicate relations with the latter. In 2017 and 2018 Vietnam suspended two offshore oil projects with Spain’s Repsol under pressure from China and in 2018 it cancelled dozens of military activities with the US. Although the US is still Vietnam’s largest export market, China is Vietnam’s leading trading partner in total trade volumes, and Chinese investments in the country have been growing rapidly, becoming the fourth largest in 2018. This trend is set to grow. China’s Belt and Road Initiative suits Vietnam’s ambitious plan to develop infrastructure in major industrial zones, as evidenced in the ‘Two Corridors, One Belt’ bilateral agreement of 2017. However, there are domestic concerns about the environment, labour standards, old technology and Chinese influence, and last year the Vietnamese government withdrew a draft law on special economic zones because of domestic protests.

In May this year the Chinese company CNOOC’s announcement to deploy an oil-rig south of the disputed Paracel Islands rekindled tensions, and Vietnam’s deployment of an oil-rig under contract to Rosneft Vietnam (near Vanguard Bank in the Spratly islands) prompted China to send its Haiyang Dizhi 8 survey ship to the area. Since then at least seven ships from China and Vietnam have been in a stand-off in the area, which both Beijing and Hanoi have played down to avoid a major crisis like that which erupted in 2014. However, there are signs that Vietnam is taking a harder line and is ready to bring in third parties, including Japan, Australia and the US, to pressure China. China reportedly asked Vietnam to withdraw the rig in exchange for China withdrawing its own survey ship and coastguards, but Vietnam chose instead to prolong joint operations with Japan in July 2019 and to issue a joint statement with Australia expressing concerns.

The threat of a ‘suicide mission’

The importance of the Philippines in Chinese foreign policy has risen rapidly since Rodrigo Duterte became president in 2016 and announced that he was breaking with the US in order to reach out to all potential partners, including China, the Philippines’ top investor in 2018.
Duterte has described China as an important ingredient of his flagship mega-infrastructure programme, and last year the two countries signed deals for joint oil and gas development. This led to Duterte being criticized by his domestic opponents for recognizing China’s unlawful co-ownership of the West Philippine Sea. Despite this, earlier this year Duterte signed a $12bn agreement with China’s President Xi to transform three Philippine islands into tourism and investment destinations without consulting the Defense Department in advance. Furthermore, in July the government granted licenses to Dito, 40% owned by China Telecom, to become the third major telecom network operator in the Philippines. Though the EU is the largest foreign investor in the Philippines by stock and the US is the country’s top export market, it is Chinese investments that are currently catching the most attention.

These close economic relations are being pursued by the two governments in tandem with China’s military build-up in seas claimed by the Philippines, periodic incidents involving fishermen and soldiers and rising domestic opposition to Duterte’s China policy. From January to April this year, China sent a large fleet of vessels to block Philippine-held Thitu Island in order to stop heavy military construction there, which prompted a rare threat from President Duterte, that he would transform the soldiers’ task into a ‘suicide mission’. The blockade rekindled Philippines’ frustration with China having blocked their fishermen from Scarborough Shoal.
since 2012, and in June we saw another escalation: a Chinese fishing vessel allegedly sank a Philippine fishing boat, leaving 22 sailors at sea. However, the two governments dismissed the sinking as a maritime incident, and Duterte granted Chinese fishermen access to the Philippine waters to prevent war while reiterating the country’s ownership of the West Philippine Sea.

Faced with more domestic protests, in particular from the military, for being too soft on China, Duterte called on the US ‘to gather all their Seventh Fleet in front of China’. He also pressed China to make progress with the Code of Conduct (COC) in the South China Sea, a set of rules that China and Southeast Asian countries started drafting in 2002 and aim to complete in 2022.

The other parties with overlapping claims with China in the SCS—Malaysia, Brunei and Taiwan—have not been very assertive of their rights. Malaysia is trying to follow a neutral course, collaborating with China on economic projects while holding joint military exercises with the US. Brunei’s claimed area is limited, and it has not been vocal about its claims. And as Taiwan has no diplomatic ties with the other five claimants, it is not part of the negotiations on the COC. Nonetheless Taiwan remains a crucial part of maritime security in the region as an outpost of US power, and the scenario of its forced reunification with mainland China remains a major risk to regional stability.

Risk of direct conflict

Finally, the involvement of non-claimant countries in the SCS dispute has to some extent balanced against China’s influence, but it has also raised the level of tension and the risk of direct conflict. The US confronts China by sailing ‘Freedom of Navigation Operations’ (FONOPs) in the SCS, which have also been taken up by Japan, France and the UK. Both the frequency and scope of these operations have been stepped up in recent months, in response to which China has conducted a series of military exercises, including one with Russia. Japan also supplies patrol boats to Vietnam, the Philippines and Malaysia, and supports the US’s Indo-Pacific strategy to contain China. At the same time, Japan is seeking an improvement of relations with China, not least because of the US’s protectionist trade policy and unpredictable foreign policy.

France has sent its navy to the SCS several times a year since 2014, in part to uphold a rules-based maritime order and in part to mark France’s presence in its overseas territories in the Pacific. In August 2019, the UK, France and Germany made a joint statement on the situation in the SCS, and in a more substantial proposal France has pushed for coordinated EU patrols in the SCS. The situation in the SCS looks set to become riskier and more complicated.

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Cover photo: A Vietnamese naval soldier stands guard at Thuyen Chai island in the Spratly archipelag. Photo: Quang Le/Ritzau Scanpix