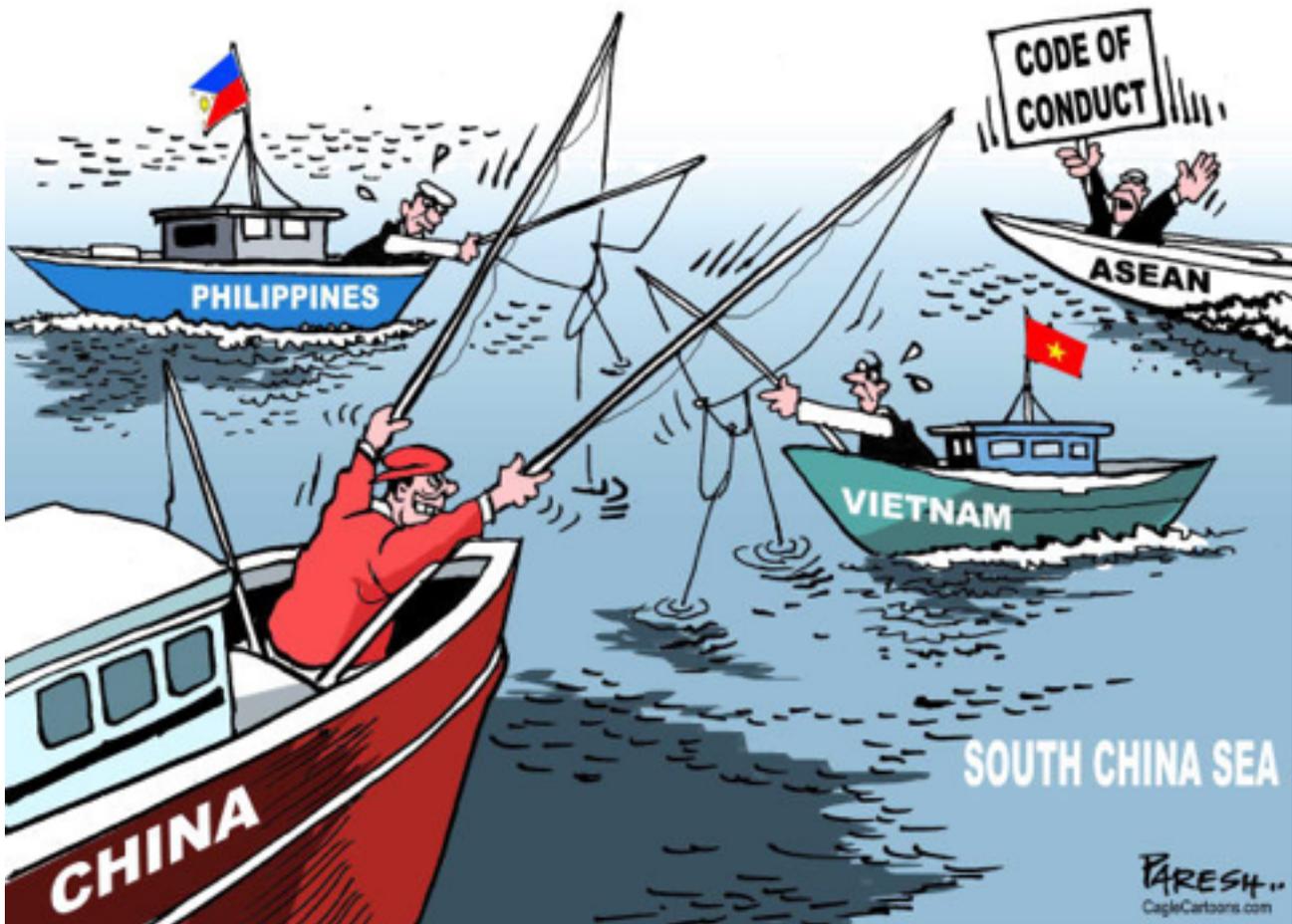


Disputes in the South China Sea and the Challenge of Cooperation



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Abstract

This thesis has had the objective of explaining the dynamics of the disputes in the South China Sea. The objective has been reached through an analysis of the disputes utilizing the theories of realism, liberalism and constructivism.

The findings of the thesis have been an ability from the ASEAN countries involved in the disputes and China to divide economic interdependence from the disputes in the South China Sea. Liberalism has had little explanation to why the disputes keep escalating despite economic interdependence. ASEAN's weakness in negotiating settlements is furthermore weakening the explanation of liberalism in explaining the disputes. In a realist perspective, power politics and geopolitical importance of the South China Sea seem to have a better explanation as to why the disputes keep escalating. Constructivism seems to be able to explain the identity of the ASEAN and might give a reason for the non-willingness to intervene in the disputes.

List of Abbreviations:

ASEAN - Association of Southeast Asian Nations

SCS - South China Sea

PLA - People's Liberation Army

SLOC - Sea Lines of Communications

DOC - Declaration of Conduct

COC - Code of Conduct

CNOOC - China National Offshore Oil Corporation

PGU - Peninsular Gas Utilization

PNOC - Philippine National Oil Company

LNG - Liquefied Natural Gas

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Introduction

The rise of China has been a hot topic in international relations for years. The rise of China and the unavoidable impact on the rest of the world has been debated widely and opinions, views and prospects varies greatly.¹ The conflict in the SCS (South China Sea) between China and the other claimants of Islands and territory in the waters has been covered and studied for years. Different aspects of the conflict has been covered and even though there has been turmoil and differences for a long time, it is argued, in the literature that the conflict in the South China Sea has been relatively peaceful due to regional integration and economic interdependence between the ASEAN (Association of Southeast Asian Nations) countries and China.² However recent development have intensified the situation and the tension between some of the ASEAN countries and China is more critical than ever. Despite this rising tension between China and some of the ASEAN countries, who because of this tension seem to become closer allies with the U.S, it is still argued that the “ASEAN way” of international relations which builds upon state sovereignty and non-interference in other states international affairs gives ground for a greater division between the democratic western countries than that of China.³ The economic ties between China and the ASEAN countries have become deeper and deeper over the years and China has fast become one of the most important economic partners for the ASEAN countries. The conflict in the South China Sea has given reason for the ASEAN states to build-up their navies in order to build-up confidence, however, this build-up can become the reason for greater insecurity in the region in the future.⁴

The ASEAN countries are becoming more intertwined than ever. Economic ties and common development is binding the ASEAN countries together and the ASEAN countries are trying to find common ground under the motto: “One Vision, One Identity, One Community”.⁵ This motto gives a clear signal of unity, however, this unity is being questioned in the case of the disputes in the South China Sea.

¹ Mearsheimer J., 2014

² Weissmann, 2010.

³ Weitz, 2011.

⁴ Permal and Basiron, 2010.

⁵ www.asean.org

Literature review

This chapter will review some of the relevant literature regarding the disputes in the South China Sea. When reviewing the literature on the topic of the disputes in the South China sea, the importance and significance of the topic quickly becomes evident. The existing literature on the disputes in the South China Sea is extensive, however topics and research questions still remains unanswered and further research is developing as the disputes continue.

The disputes have been going on for years and the disputes have become obvious to everyone in the international system. Numerous causes lay grounds for the disputes in the South China Sea and several explanations and attempts at explaining the disputes, as well as reasons for the disputes have been attempted analyzed over the course of recent history. The rise of China have in recent decades also been discussed and analyzed throughout the world, particularly in international relations. The question wether China will rise and change the fundamentals of the already existing international system or if China will rise within the current international system have divided scholars and researchers. The disputes in the South China Sea have, wether the implicated parties want it or not, raised international attention.

ASEAN (The Association of Southeast Asian Nations)

ASEAN was established in 1967. The goal of ASEAN has since then been to obtain growth with mutual respect for sovereignty, territorial integrity and national identity. The ASEAN Vision 2020, which was adopted on the 30th Anniversary of ASEAN. This vision calls for peace, stability and prosperity. In accordance to Acharya, ASEAN has been very successful in developing a regional organization. ASEAN has been successful in obtaining a “We-feeling” and the “ASEAN Way” has become a common saying in obtaining a collective ASEAN identity.⁶ However this unity only goes so far. The position taken by ASEAN in SCS disputes can have consequences for the further development and cooperation with China. Despite a “We-feeling” and a somewhat common identity in ASEAN, the disputes are extremely complicated and ASEAN needs to gain strategic and political prominence in dealing with contemporary and future challenges especially

⁶ Acharya, 2000.

regarding the SCS disputes. If ASEAN takes a stand and becomes involved in the SCS disputes by unconditionally supporting its members, it takes the risk of offending China by its involvement. This could essentially result in conflict as the organization becomes drawn further into the disputes.⁷

Niklas Swanstrom's dissertation paper examines the "ASEAN WAY" of managing conflicts. The disputes have been going on for years and the dissertation paper provides an insight into how effective the "ASEAN Way" has been in managing the disputes. Swanstrom concludes that ASEAN has been weak and that China has used its military and economic muscles in order to get the outcome it has wished for. The "ASEAN WAY" of finding solutions has had the countries looking for the lowest common denominator which has resulted in a more or less useless result.⁸

Growing dependence and common development will help push forward peaceful development, at least in accordance to Robert Gilpin. Gilpin discusses, in his work from 1987, that growing regional interdependence and increasing transnational issues calls for growing cooperation among neighbor states and coordination of policies for the common development to keep the economy flowing, will result in a sense of regional identity and therefore make the risk of utilizing force in security matters highly unlikely.⁹

These approaches help to explain why organizations such as ASEAN have been formed. However competition among member-states in ASEAN, especially among claimants of territory in SCS and non-claimants, has complicated the situation in the disputes. The dependence on economic growth weakens the incentive from non-claimant states to support the claimant states as China is ASEAN's biggest economic partner. Therefore we are seeing a more independent concept of strategic economic security as Nesadurai talks about in her work from 2005.¹⁰

Therefore the ASEAN organization is in a dilemma. It must support its member states to keep the sense of unity and keep the economy growing and avoid a conflict despite a growing assertiveness from China.

⁷ Rosenberg, 2006

⁸ Swanstrom, 2001

⁹ Gilpin, 1987

¹⁰ Nesadurai, 2005

Timo Kivimäki has another explanation other than military security for the disputes in the SCS. He remarks in his book *War or Peace in the South China Sea?*, that the reason for the disputes is a question of essential resources such as oil and fish.¹¹ The disputes are of the highest interest to the people living in Southeast Asia for the simple reason being that the majority of the people live by the sea. However the conflict is not merely an issue isolated to the interest of the people living in Southeast Asia. The strategic, and thereby the geographical importance of sea-lane transportation, regional and international security, and international trade, brings the attention of the international society. This is confirmed by Hung-mao Tien and Tun-jen Cheng in their book “The Security Environment in the Asia-Pacific”.¹² Their book raises the question of international security due to the strategic importance of trade etc. in the disputed area.

Mark J. Valencia argues in his work from 2009 “Wither the South China Sea Disputes?”¹³ that the ASEAN institution has grown in strength and that this has had an effect on a growing unity in the approach towards China in the SCS disputes. In accordance to this he further more argues that the current disputes in the SCS only represents a “calm before the storm”.¹⁴ He elaborates on the disputes and states, that fear of energy competition and a fight for general resources in the SCS region, as well as a nationalistic tendency, could complicate the disputes and evolve into conflict. Valencia argues that norms and behavior play an important role in either escalating or de-escalating the disputes and thereby the risk of conflict.

Economic Interdependence

In his work from 2007 Kurlantzick, comments on how the economic development between China and ASEAN developed and he explains how this has had an effect on the dependency between the ASEAN countries and China. *“Economically, China has benefited from ASEAN countries more than ASEAN countries have from China and the trade gap between China and ASEAN countries is increasing.”*¹⁵

¹¹ Kivimäki 2002

¹² Hung-mao Tien, Tun-jen Cheng, 2000

¹³ Valencia, 2009

¹⁴ Ibid

¹⁵ Kurlantzick, 2007 : 73

In continuation of the discussion of dependency between China and the ASEAN countries, Phillip Saunders explain how the dependency upon export to the Chinese market by the ASEAN countries has grown while in the meanwhile China is no longer exporting to the East Asian markets as much as they used to. Instead China has a growing exporting market to the US rather than the East Asian market. The importance of China as a trading partner for the South east region is undeniable and has grown, since 2000 China has fast become the largest trading partner of the Southeast Asian countries.¹⁶

¹⁶ Saunders. 2008.

Problem Formulation

The topic of this thesis is the ASEAN community and the disputes in the South China Sea. The research question is as follows:

“Why has the deep economic interdependence between China and the ASEAN countries not prevented them from engaging in the South China Sea disputes?”

In order to answer the research question. The conflict will be analyzed utilizing the three main theories of International Relations, namely, realism, liberalism and constructivism.

The research question is based upon the hypothesis that economic interdependence among countries minimize the chance of conflict, however in the case of the South China Sea, despite growing economic dependence, we are observing a growing risk of confrontation among some of the ASEAN countries and China. As Polacheck says in an article from 1980, *“The greater the amount of trade, the higher the price of conflict, and the less the amount of conflict that is demanded”*.¹⁷

In order to answer this main question, this thesis will focus on ASEAN external relations with one of the main contributors to the disputes in the South China Sea, namely, China.

Methodology

In order to answer the research question thoroughly a proper methodology must be implemented. Methodology implies the way the researcher is approaching the topic. This part of the thesis is devoted to methodology , research approach and the usage of data etc..

General Introduction of the Thesis:

- 1) The first part consists of an introduction, a literature review, a problem formulation and a methodology.

¹⁷ Polachek. 1980: 61

2) The second part contains the theoretical part. It will explain realism, liberalism and constructivism through the security dilemma, interdependence and power.

3) The third part is the analytical part. It contains a look at the dynamics of the disputes in the SCS, the military spendings and the economic relations between China and ASEAN, furthermore it explores the role of the relationship between ASEAN countries and the US.

4) The fourth part contains the conclusion part. It will sum up the analytical part and compare it to the theoretical part in order to answer the research question.

Research Design

A deductive research approach will be used during this research, in order to answer the research question. Already existing and grounded theories in International Relations will be tested. The hypothesis will therefore be tested in the case of the disputes in the SCS.

In order to answer the research question the ASEAN's relationship with China needs to be examined. This will be examined in an economic perspective as the research question implies the significance of the economic interdependence. The dynamics of the ASEAN countries as a whole is important to the analysis as well as they will give an insight into why disputes are difficult to avoid in the South China Sea. The economic links between China and the different ASEAN countries might furthermore give an insight into why the ASEAN community is having difficulties with agreeing on a mutual statement and opinion towards China and the disputes in the South China Sea.

Quantitative Method

In order to answer the main question of this thesis a variety of quantitative resources will be used to collect the empirical data, as quantitative data is more relevant and will allow the researcher to make general observations across countries. Quantitative data is also

easier available, than qualitative data for a research with the timeframe and scope of a thesis.

Data collection will be consisting of a variety of resources such as statistical reports from Institutions like ASEAN Statistical Yearbook and Stockholm International Peace Research Institute, and the analysis will be done through the theoretical framework of liberalism, realism and constructivism. Supported by different summit documents, ministerial documents and agreements and declarations from the ASEAN-China dialogue relations found from the homepage of ASEAN.

Methodological Implications

The advantage of using a quantitative method is that the findings are easy generalizable. The data is safe to use and it is often reliable and precise in predicting or measuring tendencies. However, it might have weaknesses in explaining deeply complicated and complex matters as it generalize on a higher level.

The strength of the quantitative method is that it is good at providing data that describes a situation and it can give a short and precise presentation of different affairs. However, it lacks the ability at interpret the complexity of a situation.

Theory

Realism

The core of the structural realism beliefs is that the international system is anarchic and that the nature of the anarchic system forces sovereign states to adopt survival as their core objective. The interest of the states are determined solely by the placement of the state in the international system. Structural realism is explaining how egoistic states survive in an anarchic world.

Security Dilemma

As a consequence of the international system being anarchic, structural realists believe that sovereign states perceive security as essential to their survival. This results in states trying to maximize their power. As structural realists believe that security can only be obtained through maximization of power this can result in the security dilemma.¹⁸

The security dilemma is defined by Robert Jervis and is especially difficult as it is believed that the security of a state can result in an arms race as when: *"...a state tries to increase its security decrease the security of others..."*.¹⁹ In this perspective trying to heighten own security can be seen as an offensive move in the eyes of a neighbor state and result in a spiral where everyone is investing in military capabilities.

Realists believe that the character of the international system is determined by the absence of an overall centralized international authority therefore actions of sovereign states are based upon the circumstances of the system they exist in.²⁰ As there is no authority above sovereign states in the international system it is impossible for decision-makers to know the intentions of other states with absolute certainty. Opinions and intentions can change.²¹

¹⁸ Jervis, 1978

¹⁹ Ibid : 169

²⁰ Waltz, 2001

²¹ Mearsheimer, 1995

The lack of a higher authority in the international system results in a situation where there is no higher authority to resolve conflict and disputes and thereby impose order. This results in a situation where material power and military strength dictates and in particular shapes the patterns and relations among the states. With an anarchic international system, peace is constantly under pressure and conflict has instead been the norm.²²

As states become stronger and more powerful they will be able to select goals and outcomes that reflects their power and not merely be able to concentrate on the first eminent goal that is survival. *"A more wealthy and more powerful state ... will select a larger bundle of security and welfare goals than a less wealthy and less powerful state."*²³

With a rising economy and rising military capabilities comes another danger as many rising countries will feel that they have been left out for a long time. The situation can be critical and result in conflict between already established powers and rising powers as leaders and the population of the rising power feel left out.

*"As rising powers seek to assert themselves, rising powers are often drawn to challenge territorial boundaries, international institutional arrangements, and hierarchies of prestige that were put in place when they were relatively weak. Their leaders and people often feel that they were unfairly left out when the pie was divided up, and may even believe that, because of their prior weakness, they were robbed of what was rightfully theirs. Like Germany at the turn of the twentieth century, rising powers tend to want their "place in the sun," and this often brings them into conflict with more established great powers, which are typically the architects and principal beneficiaries of the existing international system."*²⁴

²² Friedberg, 2005.

²³ Gilpin, 1981 : 23

²⁴ Friedberg, 2005. : 19.

In the case of the Southeast Asian countries realist put forward two arguments when explaining the security issue:²⁵

1. The states are little by little increasing their defense spendings because of the different political, territorial and historical disputes in the region. The fear of conflict has the countries fear for their survival.
2. The countries are furthermore building defense ties with major powers as a way of defending itself.

This way of behaving and thinking in an anarchic international system consists with the realist perspective of International Relations. The countries can either arm themselves or create alliances to maintain a stable balance of power in order to secure there own survival.²⁶

Power

Realists believe that states are the main actors in the international system as they believe that there is no authority above the states, this means that the nature of the international system is anarchic. This has the effect that states are driven by the consideration of power and only focuses on national interests. International relations is a zero-sum game in which states focus on relative gains. The importance and focus on egoistic and national interests make states thrive for power and influence relentlessly. This results in a situation where conflict is inevitable and cooperation is rare. International institutions operate on the margins of great power. The international order is organic and never permanent as the struggle for power optimization is an endless game. Power is measured in military and economic terms.²⁷

Realism is downplaying the human factor and the role of domestic politics in the international system instead the focus is on structural properties in the international system. The distribution of power is among the important factors in shaping conflict and

²⁵ Busse, 1999

²⁶ Ibid, 1999.

²⁷ Mearsheimer, 2001

order according to realism.²⁸ Debates in structural realism have revealed a difference between defensive realism and offensive realism. Prominent scholars of defensive realism counts names such as Kenneth Waltz and Charles Glaser. Offensive realism is presented to a large degree by John Mearsheimer. Mearsheimer argues that states wants to maximize their power, and the ultimate goal is hegemony. Defensive realists differs from this point by not viewing states as power maximizers but rather believe that states are satisfied with status quo as long as their security is not challenged. In this perspective they will try to maintain the balance of power.²⁹ Realists believe that the balance of power is what shapes the post-war international relations in Asia, and that the US is the main regional balancer.³⁰

Bipolarity is according to realists the most secure system within the international system. It is regarded as much safer than multipolarity. The strength of the system and balance between conflict and order is safer in the bipolar system as fewer powers can affect the balance of the system and thereby disturb the relative peace. Multipolarity is more unstable as states constantly can switch alliances and thereby affect the balance of power. After the second world war the international system was a system of bipolarity. The Soviet Union was equal to that of the United States in military power, and states such as Japan and Germany had the goal of survival through balancing the Soviet Union by supporting the United States.³¹

As the Soviet Union crumbled a power vacuum a raised giving space to a new power to rise. From power transition theory confrontation between the rising power and the status quo power is unavoidable and realists foresee an unavoidable conflict between the rising power, China, and the status quo power of the United States. According to John Mearsheimer, the structure of the international system forces states to maximize their power and impose their influence on their neighbors.³²

Wheres as Mearsheimer argues, that rising powers will reach for regional hegemony Waltz argue that powers seek to survive and when their survival is no longer at threat status quo is to admirable.³³ Mearsheimer compares the nineteenth century United States to that of

²⁸ Glaser, 2011

²⁹ Ibid.

³⁰ Ibid.

³¹ Mearsheimer, 2001

³² Ibid

³³ Waltz, 1979

contemporary China in foreseeing the actions of China. As The United States imposed a sphere of influence on its neighbors so will present day China try to expand its power and influence. This expansionism is a result of the structure of the international system, as the anarchic system brings about concern for survival in the international system.³⁴

Interdependence

Realists believe that it is unsafe to be dependent on other states because they believe that trade and economic interdependence eventually will lead to war. The notion is clear in a statement from Kenneth Waltz: ... *close interdependence means closeness of contact and raises the prospect of occasional conflict. ... Interdependent states whose relations remain unregulated must experience conflict and will occasionally fall into violence. If interdependence grows at a pace that exceeds the development of central control, then interdependence hastens the occasion for war.*³⁵ In this perspective a high levels of interdependence is a weakness that can be used as a measure of control against the more dependent state.

States will avoid being economically dependent since this is of great risk to the state. Especially the last sentence of the quote above shows the central point of neorealism. If interdependence grows beyond a state's control, then the likelihood of war increases, as when interdependence grows too swiftly, a state's future is at stake. This is especially costly for states, as they ultimately care about their survival according to Waltz:

*"Because states are in a self-help system, they try to avoid becoming dependent on others for vital goods and services."*³⁶

Thus realists see interdependence as being between or among states. Interdependence is of risk to the safety of the states as states become vulnerable. This lead realists to believe that it is best to minimize dependency and thereby be independent. Being independent however and having other countries being dependent on you can be of benefit to the state and even be desirable as this might increase your influence on other states behavior, as states then can force each other to behave in a certain way.

³⁴ Mearsheimer, 2001.

³⁵ Waltz, 1979 : 138

³⁶ Ibid :155

These factors points to the fact that economic interdependence is an insecure factor in international relations with other states. Realists thus believe that economic interdependence brings great costs to a state. States are increasingly dependent upon other states in the international society - they are dependent on foreign markets, on foreign raw materials etc. Economic interdependence means that states depend upon other states which can be very costly, as this means that another state, at any point in time, can have influence upon another state. Trade can be used as a source to coerce another state if the level of interdependence is high enough. This leads realists to believe that dependency should be avoided at any cost and these factors lead realist scholars, such as Waltz to propose that economic interdependence increases the likelihood of war.³⁷

Strong dependency upon another state increases the risk of conflict, as states wish to become independent from other states. If another country therefore posses a territory that is of high value to another they will seek to expand and capture that territory, because only in that situation will the country become independent. Waltz argue, that a country dependent upon another, having to choose to go to war, they will go to war against the country with which they have the highest level of dependency upon as the outcome in a winning situation will be that much greater.³⁸

Liberalism

While Realism is preoccupied with issues of security and order, Liberalism focuses more on the nature and dynamics of the international political economy.

Liberalism is in the history of international relations often regarded as being the alternative to realism. Especially neoliberalism tends to focus on institutions and interdependence however democratic peace is furthermore a key point in neoliberalism. The key point and pillars of liberalism are:

1. Economic interdependence; in the liberal perspective in particular free trade, minimizes the chance of conflict by increasing its costs to the involved.

³⁷Waltz, Kenneth 1979.

³⁸ Ibid

2. Democratic peace; liberal democracies are believed to be more peaceful than non-democracies.

3. Liberal institutions; the contribution of international organizations in promoting collective security, managing conflicts, and encourage cooperation.³⁹

Structural realism tend to see the economic sector as being part of state power whereas liberalism separates political and economic power. This is how the cost of conflict with another state can be too great and therefor deep economic interdependence is minimizing disputes and the risk of conflict. Liberalism furthermore considers democracy as being the main factor to world peace, this is based upon the notion that democratic states are more peaceful than other regime types.⁴⁰

Security Dilemma

Neoliberal institutionalism agrees with realism upon the notion that the world system is anarchic and that the states are the most important factor in the international system. They do not however, accept the dismissal of international institutions as does.

Neoliberal's believe that institutions can monitor and shape state behavior in the system. Institutions can promote free trade, encourage cooperation, help avoid cheating, assist in information sharing and assist in conflict and help to obtain a peaceful resolution to a conflict.⁴¹

In contrast to realism, liberals focus upon the interconnectedness and are more transnational in its approach, thereby meaning that they focus on absolute benefits enjoyed by all through enhanced regional cooperation. They do not focus on relative gains enjoyed by an individual state in a given situation. That is why they do not focus as much on Chinese superiority as realism does.⁴²

“Liberals recognize that the countries in Southeast Asia is dependent upon each other in a complex interdependence situation. Since this they are dependent upon each other in a

³⁹ Walt, 1998

⁴⁰ Ibid

⁴¹ Wilkins, 2010

⁴² Ibid

complex interdependence situation with regards to trade, investment, knowledge etc., this makes the risk of conflict highly unlikely as the outcome of such a conflict would be too costly and not be worth while. The reason for cooperation is evidently greater than that of conflict. Another reason for the Southeast Asian countries to proceed cooperation is that of international and multilateral organizations. These organizations can manage and overcome disputes. Institutionalist furthermore believe that democracy and starting a democratic process in countries will in the end result in sustainable peace.”⁴³

This is based upon the notion that democracies do not fight each other and as we have seen, in the western democracies resilience in fighting wars against each other, the more democratic a region becomes the less conflict is to be observed.⁴⁴

Power

Liberals believe in the three before mentioned causal mechanism when analyzing international relations: Economic interdependence, international institutions and democratization. The international institution assists states in optimizing cooperation and minimizing misunderstandings. According to liberals the international institutions furthermore assist in foreseeing the intentions of other countries which is in opposition to what realists believe. As Friedberg remarks: *“Liberal optimists believe that bilateral economic exchange creates shared interests in good relations between states. The greater the volume of trade and investment flowing between two countries, the more groups on both sides will have a strong interest in avoiding conflict and preserving peace”*.⁴⁵

With regards to the existing international institution liberalists agree with realism that states do not have the same goal, however they disagree on the point that existing international institution will give space for the rising powers to join and promote their influence politically and economically. The realists believe that the rising powers will see to change the

⁴³ Ibid: 394-5

⁴⁴ Brown, Michael E. 1996.

⁴⁵ Friedberg 2005, : 13

existing international institution instead of rising within the current international system i.e. Mearsheimer.⁴⁶

Interdependence

When looking at interdependence it is important to note that liberals differentiate between nineteenth century interdependence and contemporary economic interdependence. The complexity of contemporary economic interdependence is based in transnational production networks whereas earlier interdependence was based solely on trade and exchange. The difference is obvious to liberals as contemporary economic interdependence has a deeper impact on security and national political autonomy which makes the cost of a conflict much higher.⁴⁷

Realism and liberalism share the notion that the international system is anarchic however they do not share the same believe regarding the importance and influence of international institutions. In Asia institutionalism is no longer solely a liberal believe, some constructivists have deepened and expanded their believes of the role of international institutions in international relations in Asia.

“Liberal conceptions of the international relations of Asia have particularly stressed the role of expanding interdependence as a force for peace”. ⁴⁸

Constructivism

Constructivism has another perspective of international relations than both liberalism and realism.

“Constructivism and postmodernism both have roots in Western philosophy of knowledge and social theory, building particularly on the work of modern European social theorists such as Bordieu and Foucault. They set themselves up as alternatives to the materialist, positivist epistemologies underpinning realism and liberalism, seeing the social world as

⁴⁶ Mearsheimer, 2014

⁴⁷ Acharya, 2008

⁴⁸ Ibid : 67

needing to be approached in its own terms as an intersubjective realm of shared understandings."⁴⁹

Security Dilemma

In opposition to realism and liberalism, constructivism disregards the notion that the structure of the international system is anarchic instead Wendt argues that anarchy is what states make of it.⁵⁰ *"A fundamental principle of constructivist social theory is that people act toward objects, including other actors, on the basis of the meanings that the objects have for them"*.⁵¹ Wendt criticizes realism for being too simplistic as realists are not able to differentiate the relations between friendly neighbor countries and hostile neighbor countries. He believes that states act differently towards a friendly state than towards states that are perceived as being hostile. This he emphasizes using the relationship between Canada and the USA and the relationship between Cuba and the USA, which cannot be perceived as being on the same terms.⁵²

*"The distribution of power may always affect states' calculations, but how it does so depends on the intersubjective understandings and expectations, on the "distribution of knowledge," that constitute their conceptions of self and other... It is collective meanings that constitute the structures which organize our actions. Actors acquire identities-relatively stable, role-specific understandings and expectations about self-by participating in such collective meanings."*⁵³

Identity is important to note in regards to how and why states behave the way they do. States interests and behavior is dependent on the social context it is situated in therefor states do not bring a predetermined list of interests before the social context is known. The social context of states determines the interests of the state and not the other way around. *"A states interest are constructions of the international system"*.⁵⁴ The culture of anarchy is

⁴⁹ Acharya 2010 : 9

⁵⁰ Wendt 1992

⁵¹ Ibid : 396-97

⁵² Ibid

⁵³ Ibid : 397

⁵⁴ Wendt 1999 : 234

determined by the relations of states. The core motivation of states varies therefore depending on the culture of anarchy;

- 1) Hobbesian: Survival.
- 2) Lockean: Maximizing economic gains relative to rivals.
- 3) Kantian: Maximizing absolute gains.

Constructivism has helped elaborate the understanding of the Southeast Asian regional order by expanding the perspective to culture, norms and identity and thereby offering another viewpoint than the purely materialistic point of view. These perspectives have led to a less static understanding of the regional order in Southeast Asia. Constructivists do not believe in the balance of power concept as the neorealists do, instead they refer to the concept as being uncritical.⁵⁵

Power

Neo-realists and constructivists agree upon the fact that states want to survive however as states' interests and identities are a given in the neorealist perspective, this is not a given in the constructivists' perspective. It is rather seen as a process of interaction which decides the interests of the state. The context of the system and interaction therefore decides the interests of a state.⁵⁶

*"For Constructivists, international relations is shaped not just by material forces such as power and wealth, but also by subjective and inter-subjective factors, including ideas, norms, history, culture, and identity."*⁵⁷

Material factors play a role in international relations, however in the perspective of Wendt that role is secondary to ideas, because as he explains: *"500 British nuclear weapons are less threatening to the United States than 5 North Korean nuclear weapons"* and he continues, *"the British are friends and the North Koreans are not"*.⁵⁸ This summarizes Wendt's idea that it is to a lesser extent the material factor and the power of a state that determine the relationship rather than the states' ideas and beliefs.

⁵⁵ Acharya and Stubbs 2006

⁵⁶ Wendt 1992

⁵⁷ Acharya 2008 : 69

⁵⁸ Wendt 1995 : 73

*“Structures are not reified objects that actors can do nothing about, but to which they must respond. Rather structures exist only through the reciprocal interaction of actors. The means that agents, through acts of social will, can change structures. They can thereby emancipate themselves from dysfunctional situations that are in turn replicating conflictual practices”.*⁵⁹

Interdependence

Constructivists believe that international institutions affect the way sovereign states behave. The interaction between states through international institutions help states develop a common and mutual identity. States are then being regulated and furthermore develop the state identity. The understanding of a common mutual identity help states avoid power politics and the security dilemma.⁶⁰

*“ASEAN’s establishment in 1967, Constructivists argue, cannot be explained from a Realist perspective, in the absence of a common external threat perception, or from a Liberal one, which would assume substantial interdependence among its members. Neither of these conditions marked the relationship among ASEAN’s founding members at its birth. Instead, regionalism in Southeast Asia was a product of ideational forces, such as shared norms, and socialization in search of a common identity. Shared norms, including non-intervention, equality of states, and avoidance of membership in great power military pacts were influential in shaping a deliberately weak and relatively non-institutionalized form of regionalism that came to be known as the “ASEAN Way.””*⁶¹

The establishment of the ASEAN institution are at the core of constructivists belief as the institution is founded upon common identity and shared norms. Especially the notion of the “ASEAN Way” builds upon the constructive belief that the ASEAN state share a common identity in which they all believe and share ideas and norms.⁶²

⁵⁹ Copeland 2000 : 190

⁶⁰ Acharya 2008.

⁶¹ Ibid : 70-71

⁶² Ibid

Discussion of Theory

When examining and comparing the three theories differences and agreements appear. However these theories all have their weaknesses and what they all have in common is the fact that they do not differentiate international relations and they have all been criticized as to being too western oriented.

*“The assumption made by Western theories, especially neorealism and neoliberalism, naturalizing the completion of nation states that are functionally undifferentiated (like-units), cannot be uniformly applied to international relations of Northeast Asia. What we need is a historically sensitive, refreshed idea about the nature of the units or agency. By having an idea of multiple identities, overlapping identities and multiple organizing principles, we can theorize the multifaceted nature of each incident.”*⁶³

International Relations realist do not concern themselves with the questions of culture or morality. States exist in the structures of the the international system and only concern itself with its own interests. The structural and systemic system compels the states to act selfish and the rules that states follow is a symptom of the structure of the system and has nothing to do with culture.⁶⁴

Critique of Realism

Most prominent point of critique of realism are that it is too narrow-minded focusing too much on military capabilities while ignoring other important factors. It downplays the cooperative nature of humans. It furthermore ignores the role of international institutions and the role of economic interdependence and international law. In contrary to liberals it does not believe that cooperation can prevail over conflict. Furthermore it fails to acknowledge and capture that international politics is a dialogue of different viewpoints.⁶⁵

⁶³ Chun, Chaesung : 86

⁶⁴ Mearsheimer, 1995

⁶⁵ Krasner 1994

Critique of Liberalism

Neo-realists argue that economic interdependence has done little to prevent wars between states as it has been exemplified by the Second World War. Furthermore they believe that liberals attach too important attention to international institutions which neo-realists believe merely plays a role for states. *“Institutions are no more than theatre stages where the power play unfolds. But the play has been written by the playwright: the states. Institutions are not important in their own right.”*⁶⁶

Another critique of liberals comes from neo-realists who believe that liberals have a wrong stand point regarding the human nature. Neo-realists critique liberals for being too optimistic regarding human nature. Neo-realists tend to see human nature as capable of being evil. If you do not accept this fact, Waltz believe you have misread and misestimated human nature.⁶⁷

Critique of Constructivism

Realists critique of constructivism. Realists in particular critiques constructivists for putting too much importance to norms i.e international norms. As Krasner states: *“Powerful states have violated the autonomy and the integrity of weak ones. The peace of Westphalia included elaborate provisions concerning religious practices within Germany... and specified electoral procedures for the selection of the Holy Roman Emperor. Hardly a testimony to respect for sovereign autonomy. Evert other major postwar settlement since 1648 has attempted to restructure domestic political institutions in defeated states... If there is an international society out there it has not had much more impact on the behavior of states than conventional norms about sex, family and marriage now have in the behavior of individuals in North America and Europe.”*⁶⁸

At the same time realists are not ready to accept that states easily can become friends due to their social interaction. They state that even though it is in principle desirable it is not possible to realize in practice. They argue once again that the structure of the international

⁶⁶ Mearsheimer 1995: 340

⁶⁷ Waltz 1959

⁶⁸ Krasner 1994: 16-17

system forces states to act selfish and egoistic. The anarchic system, offensive capabilities and the insecurity of other states intensions forces states to compete in an aggressive manner. It is simply impossible. ⁶⁹

Realists argue that anarchy and the problem that states face according to this has not been adequately analyzed. The problem is uncertainty, the uncertainty of present problems and intentions of other states now and in the future is simply impossible to know. As a result of the anarchic system states will always seek security and this can be misread and misunderstood by other states and that is what the security dilemma is all bout.⁷⁰

Constructivists fail to explain how to foresee the intentions of other states. States can pretend to be friendly however still work to undermine the authority and intention that another state has. As Jervis remarks, constructivists fail to tell us about, *“the process at work in political life, it does not, by itself, tell us anything about the expected content of foreign policies or international relations.”*⁷¹

Critique of Western Oriented IR theories

With regards to current international theories one of the biggest problems is their lack of ability to explain the relative peace, and how the lack of security organization and other formalized mechanisms can stop present tensions and even stop these tensions in escalating into conflict and build peace. Contributions from non-western contributors in international relations are often not regarded has hard theory because western scholars do not think they meet the criteria of hard theory. Instead they fit into softer notions of ideas and believes.⁷² Rare attempt have been made at theorizing some of the Asian classical traditional ideas of Sun Tzu and Confucian thoughts, these would be in contrast to the classical figures of Thucydides, Hobbes, Machiavelli, Kant etc..⁷³

⁶⁹ Mearsheimer 1995

⁷⁰ Copeland 2000

⁷¹ Jervis 1998: 976

⁷² Hui 2003

⁷³ Ibid

Not everyone believes that the western theories are able to explain and capture identities, states and cultures of non-western countries. The theoretical abilities of realism is being criticized for not capturing and properly understanding the complex relationship in the disputes in the South China Sea. It is being criticized for its negative image of the current and future situation in the disputes.⁷⁴

The different theoretical approaches seem to pay too much attention to their different beliefs without in depth understanding of the nature of the relations in the South China Sea.

Liberalism seem to attach too much attention to the institutional arrangement of ASEAN, however this institution differs greatly from the typical western institutions. Constructivism is prone to attach too much attention to the Asian identity building. While liberalism attach too much attention to institution, and constructivism attach too much attention to Asian identity building, then critics explain that realism attach to important attention to the state and thereby completely ignore international cooperation and international institutions.⁷⁵

Realists and liberalists share some ideas. The notion that the structure of the international anarchic system contributes to distrust and suspicion among states. This distrust among states make cooperation very difficult and thereby peace even more difficult to obtain.

Realists and liberalists do not agree upon the effect of cooperation and interdependence. Realists are very critical and believe that cooperation can result in war depending on the relationship and the dependency of the opposite state. The liberalists, however, have a much more positive perspective upon cooperation, and believe that cooperation often will result in harmony between states. Liberalists are being critiqued for not having the necessary focus on the security dilemma and the role of anarchy.

Liberalists believe that negative intensions in International Relations only breed negative responses.⁷⁶

“According to realists, interdependence makes a state vulnerable. Liberalists do not exclude interdependence as vulnerability, but instead they focus on the multiple channels that connect societies, including interstate, transgovernmental, and transnational relations. According to liberalists, socioeconomic issues may be as or more important than security

⁷⁴ Kang 2003

⁷⁵ Archaya 2008

⁷⁶ Viotti, Paul R. and Kauppi, Mark V. 2003

issues. Although, there are costs associated with interdependence, benefits to either or both parties may outweigh these costs.”⁷⁷

“Asian international relations today all together involve realist characteristics of power politics, liberal institutionalist characteristics of intergovernmental multilateralism, and constructivist characteristics of gradually more joint ideational and behavioural norms among policy elites.”⁷⁸

As Shambaugh notes above, there are no single theory in international relations that, in his opinion, are able to explain all aspects of international relations in Asia today.

Economic Interdependence in Liberalist and Realist Perspectives

The question and impact of economic interdependence divides realists and liberalists who have different perspectives on its impact on peace and cooperation. The argument from liberalists is that economic interdependence affects how states behave. The assumptions are that states will rather cooperate than not. They pursue policies that are in their best interests and cooperation is a better incentive than disputes and conflict. The risk of conflict is expensive and therefore something to avoid. They argue that interdependence and cooperation decrease the risk of conflict.

Realists on the other hand believe that interdependence increases the risk of conflict. Each state is concerned with its own survival due to the structure and the nature of the international system. Interdependence makes states vulnerable and the access to resources can push states to initiate war.

Neither realists nor liberalists believe that economic interdependence is the only factor that determines whether an area is peaceful or states go to war. Liberals furthermore believe in international institutions and the democratic peace theory.⁷⁹ Realists furthermore believe that there are systemic factors in the international system that make states initiate war among these factors are, relative power capabilities.⁸⁰

⁷⁷ Ibid: 248-49

⁷⁸ Shambaugh 2008: 9

⁷⁹ Russett and Oneal. 2011

⁸⁰ Waltz. 1979

Neorealists believe that interdependence increases the risk of conflict and states will seek to minimize their dependency as they are concerned with their own security. Dependency on foreign countries in matters such as energy is making the state vulnerable. Therefore countries will seek to become independent in such matters and thereby minimize dependency. An area with great energy resources can therefore be of high importance for energy demanding states.

Copeland argues that the causality of interdependence and trade relations is important when analyzing the risk of conflict. It is therefore not only a matter of dependency, however it is the future perspective of the trade relations that is influential in the discussion whether conflict is in the horizon or not. He argues that if leaders expect a long-term and beneficial interdependent relationship then they will be prone to avoid conflict. If this is not the case, and the relationship is instead expected to be short, then leaders would be expected to have a lesser tendency towards cooperation and peace.⁸¹

According to Waltz a high level of economic interdependence will have states pursuing institutional balancing. A high level of economic interdependence makes the cost of war too great a risk that states will not engage. Institutional balancing is a strategy that states can balance a major power without engaging in war. He argues that this institutional balancing can be both internal and external.

In the external form of institutional balancing you exclude the great power from the cooperation whereas you engage the great power in the internal form.⁸²

Analyzing the SCS disputes are a complex matter. The disputes cannot be explained by a single theory and therefore neither realism nor constructivism or liberalism can be ignored. Despite the increasing disputes in the SCS, interdependence and cooperation have increased dramatically. Even though this paper will focus on interdependence and cooperation, it is impossible to ignore the security dilemma and a more assertive China in the disputes in the SCS. ASEAN has been influential in the rising interdependence and cooperation between the claimants, the nations of Southeast Asia and China, however not able to resolve the disputes in the SCS.

⁸¹ Copeland. 1996

⁸² Grieco. 1995

Dynamics of the SCS disputes

Among the reasons for the disputes are overlapping claims that is of geopolitical interests to the claimants.⁸³ And there are multiple reasons why the SCS is of geopolitical interest to the claimants, among these are abundant resources of energy and food resources. The geopolitical importance of the SCS is enormous, trade routes, fish stocks and hydrocarbons and military position are among the keywords of the disputes in the SCS.

Table 1

South China Sea estimated conventional hydrocarbon production

Country	Estimated production in South China Sea (2011)			SCS contract holders and operators	
	Oil, 1000 barrels/day	Natural gas billion cubic feet	Major exploration and production areas	National oil companies	Foreign firms
Brunei	120	400	Baram Delta	PetroleumB RUNEI	BHP Billiton, ConocoPhillips, Hess Corporation, Kulczyk Oil Ventures, Mitsubishi Corporation, Murphy Oil, PETRONAS, Polyard Petroleum, QAF Brunei, Shell, Total
China	250	600	Pearl River Mouth Basin Qiongdongnan Basin	CNOOC Sinopec CNPC	BG Group, BP, Chevron, ConocoPhillips, Eni, ExxonMobil, Husky, Newfield, Shell, Total
Malaysia	500	1,800	Sabah Sarawak Malay Basin (w/ Thailand)	PETRONAS	Lundin, BHP Billiton, ConocoPhillips, ExxonMobil, Hess, KUFPEC, MDC O&G, Murphy Oil, Newfield, Nippon, Petrofac, Roc Oil, Shell, Talisman Energy
Phillipines	25	100	Palawan Basin	PNOC	ExxonMobil, Shell
Vietnam	300	300	Cuu Long Basin Nam Con Son Basin	PetroVietnam	KNOC, ConocoPhillips, Geopetrol, Premier Oil, PTTEP, Santos, SK Corp, Total, Zarubezhneft

¹ Oil production includes lease condensate.

Sources: U.S. Energy Information Administration, Oil & Gas Journal, IHS, CNOOC, PFC Energy.

The SCS is of extreme strategic importance to international trade. It combines the world's major seas and therefore is an important SLOC (Sea Lines of Communication). Each year a total of approximately 70,000 ships sail through the SCS and with them carrying one

⁸³ Thayer. 2012

third of the world's trade. The importance of the disputes in the SCS is therefore not a matter only located and isolated to the countries within the boundaries of the SCS.⁸⁴

The Northeast Asian countries have for a long time had a economy growing with rapid pace. The growing economy and better living standards to people in these countries has resulted in an exploding consumption of energy and other essential resources. The SCS SLOC's are therefore of highest importance to the North Asian countries, as they provide the economic- and energy consuming powerhouses of the Northeast Asian countries with their energy. It is being predicted that the dependency of energy for China will rise to 60 percent by 2020, and it is therefore essential to the country that the SCS SLOC's are secured.⁸⁵ The dependency of energy and the strategic importance of the SCS, for the Chinese and other claimants in the SCS disputes, is clear when looking at the current energy consumption and what is expected in the future. All energy resources such as natural gas fuel to oil and coal are growing, and in that perspective, China has for a long time tried to secure the energy supply through long-term contracts with strategically important countries.⁸⁶ Given the importance of securing these sea lines and the strategic importance of the SCS, freedom of navigation is of highest importance to countries utilizing these important sea lines.

Brunei

In March 2009 Brunei and Malaysia officially resolved their earlier offshore territorial disputes. This fact made the exploration much easier than earlier. The result of the resolved territorial disputes has been a production sharing agreement between PETRONAS(Malaysia) and PetroleumBRUNEI. Brunei has many older and declining fields and therefore they prioritize new exploration activities. The two companies have jointly begun drilling in multiple offshore oil and gas fields in Brunei's territory. The largest offshore oil and gas field of Brunei is called Champion, while Ampa gas field accounts for the majority of the country's natural gas production and supplies Brunei's natural gas liquefaction plant in Lumut.⁸⁷

⁸⁴ Schofield and Storey, 2009

⁸⁵ chinadaily.com.cn 15.08.2011

⁸⁶ Schofield and Storey, 2009

⁸⁷ U.S. Energy Information Administration, Oil & Gas Journal, IHS, CNOOC, PFC Energy.

China

China's growing need for energy has led the production from onshore gas production into deep water areas in the SCS. China's three biggest national oil companies are responsible for developing the resources in the SCS. Table 1, shows what areas and companies of the different countries that are being developed and who holds the responsibility.

The companies are developing their equipment and ability to drill offshore in the SCS, and cooperation has been made with different foreign drilling companies. Because of the overlapping claims of territory with especially Vietnam, in the SCS, not all the bidding blocks that China National Offshore Oil Corporation (CNOOC) would have liked to award foreign companies have been possible.⁸⁸

Malaysia

Malaysia's biggest oil and gas producer is PETRONAS. The company's Peninsular Gas Utilization (PGU) system, composed of six processing plants and 1,500 miles of pipeline, forms a key link to offshore gas development in the South China Sea. Malaysia hopes to expand its liquified natural gas (LNG) regasification capacity to boost exports to regional markets.⁸⁹

Phillipines

Chevron and the Philippine National Oil Company (PNOC) operate in the northern Palawan where the Malampaya gas platform is located. The project which is of high importance to the Philippine government provides energy for domestic use. The project started commercial drilling in 2001, however the Philippine government had already in the 1970's explored the area of the Reed Bank at the Spratly Islands and, in the end, before the commercial drilling had begun Chinese protests forced the commercial drilling to stop before it had even begun.⁹⁰

⁸⁸ Ibid

⁸⁹ Ibid

⁹⁰ Ibid

Vietnam

Domestic demands of energy has led to a hope from the Vietnamese government to expand its offshore production in the SCS. In order to make this happen it has awarded a lot of contracts to foreign companies, and furthermore, it has started to invest in LNG regasification capacity.

Vietnam also has a strong presence of foreign oil companies due to the high number of contracts awarded to foreign oil companies by the Vietnamese government. The product-sharing contracts between foreign oil companies and the Vietnamese PetroVietnam has them opting for common interests in the SCS.⁹¹

In 2012 the CNOOC offered nine oil and gas blocks in the contested waters between China and Vietnam, to foreign companies, however, the Vietnamese government disapproved of this and no one bid on the blocks.⁹²

The importance and rich amount of energy resources in the SCS is unquestionable, however, there are other important resources in the SCS. With the huge coastal lines of the countries in Southeast Asia, and thereby the big amount of people living in coastal areas, the SCS hosts another important resource: fish. The amount of fish therefore has a global significance.⁹³

⁹¹ Ibid

⁹² Ibid

⁹³ Schofield and Storey, 2009

Dynamics between China and the other Claimants of the SCS

The overlapping claims of the SCS is nothing new, over the course of history different states have made claims over areas in the SCS. Despite the fact that these overlapping claims have been made since the time of colonialism, there seem to be a consensus that as Japan lost World War 2 and was forced to withdraw from the SCS, the Vacuum of power contributed to the complexity of the disputes in the SCS. China is the first state to claim rights over the SCS and that happened in 1279. A map was drawn claiming the territorial rights over the SCS. The map, however, is drawn without definitive boundaries and claims SCS as a sphere influence.⁹⁴

Vietnam claimed the Parcel Islands in 1816 and had a pagoda built on the islands in 1835.⁹⁵ The Spratly Islands however, was again claimed by China, with its first official claim of the Islands in 1876, and in 1883 they forced Germans occupying the Islands to leave. The Parcel Islands were occupied by the French after the war against China from 1884-1887. The US gained control of the Philippines from Spain after the Treaty of Paris in 1898.⁹⁶

The sovereignty of the SCS was claimed by different states in the first half of the 20th century, among these China, France and Japan. By 1902 China claimed that the Parcel Islands was under Guangdong influence, and by 1927 Japan joined and claimed the rights over Parcel Islands and Spratly Islands, this they did with documentation that claimed the rights.⁹⁷ China and France responded to this; China officially claimed that the Parcel Islands were at the edge of its territory to the south in 1928, and France once again claimed rights to the Parcel islands in 1931. As World War 2 began, Japanese aggression expanded and they took control over the SCS in 1939. As the war ended, and Japan withdrew from the area, a power vacuum raised as the Treaty of San Fransisco declared that Japan had no control or claims to the SCS. It was however, never declared who could rightfully claim sovereignty over the SCS.

⁹⁴ Valencia et al. 1997

⁹⁵ Samuels 1982

⁹⁶ Elleman 2001

⁹⁷ Rowan 2005

After the end of World War 2 China quickly reclaimed its rights over the Parcel islands and in 1947, they drew a map of the SCS with the nine-dashed line covering almost the entire Scarborough Shoal, Parcel and Spratly islands. The nine-dashed line covered a range of territory around 1000 nautical miles from southernmost tip of the Chinese coast. Vietnam also made claims to territory in the SCS which was grounded in historical data, this was denoted by France in 1954.⁹⁸

The Vietnamese claims of the ares in the SCS are documented by Court documents from the regime of King Le Tanh Tong who's regime was from 1460-97, and furthermore in well documented maps produced in the 17th century. Vietnam has developed military infrastructure on some islands in the SCS. Vanguard Reef, Prince Consort Bank and Grainger Bank.⁹⁹

Both China and Vietnam documents their claim to territory in the SCS with pre-war historical documents, however, this is not the case with the Philippines. In 1947 the Philippine occupation of the disputed Islands began - a businessman, Tomas Cloma, started settlements on eight islands in the Spratly Islands region. The government then later in 1971 and 1978 declared that the Islands were part of Philippine territory. In contrary to historical claim from China and Vietnam, the Philippines are arguing that due to geographical proximity, economic and strategic importance the Islands belong to their territory.¹⁰⁰

Malaysia is also making claims of territory in the SCS. Their claims are within their 200 nautical miles of exclusive zone, however, two of the islands they are claiming are occupied by the Vietnamese government, and one is occupied by the Philippine government. On the islands that Malaysia are occupying they have built infrastructure suited for tourism - hotels etc.

Brunei are also making overlapping claims in the SCS - Their claims overlap with the Philippines. Brunei are not evicting boats or vessels from the territory they are claiming. They base their claim on a decree from 1954: Britains decree of its Bornea boundaries.¹⁰¹

⁹⁸ Ibid

⁹⁹ Ibid

¹⁰⁰ Ibid

¹⁰¹ Valencia et. al. 1997

China, the Philippines, Vietnam and Taiwan have had armed clashes. These armed clashes have further complicated the disputes. The clashes between the claimants have occurred especially between Vietnam and China, this in 1974, 1988, 1992 and 1995.

These military clashes, and relatively weak arguments from the claimants, are making diplomatic solutions to the disputes an almost impossible matter. Each state claiming their rights to territory.¹⁰² There are more than 200 small islands, reefs and rock in the Sparkly and Parcel islands chains and they are all claimed by six different Asian nations.¹⁰³

ASEAN has been negotiating in the disputes. A Code of Conduct (COC) and agreement between the claimants have been developed, however, the COC is non-binding, non-compliant and with no sanctions.

China-ASEAN Relations

Different studies show that the economic interdependence in East Asia has been growing since the 1980s.¹⁰⁴ Masterson did a research on the economic interdependence between China and its neighbors, focusing on the development between 1989 and 2004.

The research showed a correlation between a state's power capability and its economic interdependence. As a result states with equal power capabilities tend to feel confident in increasing economic and political ties. In the case of the SCS dispute Vietnam and the Phillipines had close to equal power capabilities with China in 2004, and therefore felt comfortable with increasing the economic and political relationship with China. The opposites seem to be the case if a state posses relative power capabilities much greater than another.¹⁰⁵ There is a consensus that it is beneficial to grow close ties to a region that is in rapid grow, furthermore it seems to be a belief in the present day SCS disputes that economic relations and political relations are two different aspects that do not necessarily go together.¹⁰⁶

¹⁰² Ibid

¹⁰³ Rowan 2005

¹⁰⁴ Petri 2006, Masterson 2012

¹⁰⁵ Masterson 2012

¹⁰⁶ Hamilton-Hart. 2013

This corresponds with the findings of Masterson; that there is no correlation between political cooperation and economic interdependence between China and its neighbors between 1989-2004. A perspective showing that there still seem to be economic interdependence in the SCS, despite, no peace settlement and political cooperation finding solutions to the disputes.

“The ASEAN Way”

Non-interference, respect for sovereignty and non-intervention is the cultural norm of the “ASEAN way”. These factors are furthermore the reason why the institution is accepted as a mediator in conflict resolution. The norm and culture of the ASEAN institution has been the main factor in Southeast Asia going from a relatively conflicted environment to a more secure and relatively peaceful environment.¹⁰⁷

Non-intervention, respect for sovereignty and agreement on non-interference in domestic matter might have been the reason why Southeast Asia have experienced relative peace and economic development for a long time.¹⁰⁸ The role of ASEAN has been a major influence in this development. The influence and relevance of ASEAN has, however, come back to the surface after the incidents between China and the other claimants in the SCS. The failure of ASEAN in gathering a common understanding and conveying a common opinion on the issues in the SCS, has had a negative influence on the relevance of ASEAN.

As a measure from ASEAN in trying to control the disputes in the SCS they have developed a Declaration of conduct in order to address the disputes.

Declaration on the Conduct (DOC) of Parties in the South China Sea:

“... reaffirm their respect for and commitment to the freedom of navigation in and overflight above the South China Sea as provided for by the universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea.

... undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and

¹⁰⁷ Acharaya, 2000

¹⁰⁸ Ibid

negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea.

... undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner.

...reaffirm that the adoption of a [follow-on] code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual attainment of this objective.”¹⁰⁹

The DOC of course has its value, however, it currently seems to be worthless. ASEAN is losing its relevance due to inefficiency in resolving disputes. The “ASEAN WAY” makes sense in a conflict avoidance context, however, it is inefficient in resolving conflict and if this is to change, the culture of the ASEAN institution would probably need to change. The neutrality of ASEAN has been good in avoidance of disputes however, as these disputes evolve and reappear the association seem to be incapable of having any effect in the conflict resolution.¹¹⁰

“ASEAN served a useful purpose by providing a framework within which the parties could discuss their differences in a ‘neutral’ atmosphere.... The multilateral framework allowed the parties to remain in contact in circumstances which either had caused a collapse of bilateral channels or placed these channels under such stress that they could no longer function properly.... Through the steadily increasing scope and range of its activities... it produced among government officials of the five, attitudes which were much more receptive and sensitive to each other’s peculiar problems, and which made compromise solutions to conflicting interests a much more likely outcome than before...the multilateral setting served to discourage extreme behaviour, modify extravagant demands, and inspire compromise.”¹¹¹

¹⁰⁹ DOC of Parties in the South China Sea, 2002 14/11.

¹¹⁰ Acharya, 2000

¹¹¹ Jorgensen-Dahl, 1980, pp. 56–57.

The dilemma seems to be that, even though, the association is a neutral place for sovereign states to discuss openly about territorial disputes, trade problems or other imminent problems, then there is no ground for discussing solutions to current problems, as ASEAN is incapable of helping the disagreeing states with binding solutions.

Sensitive topics and issues discussed in ASEAN varies and there seems to be a disagreement of wether, certain disputes should be resolved bilaterally or multilaterally. Some states would like multilateral agreements and negotiations while other states believe that sensitive issues should only be resolved bilaterally.¹¹²

¹¹² Acharya, 2000

Economic Power

Economic growth and development is the biggest driver of the Southeast Asian countries. The trading and economic relations between the ASEAN states and China has been growing rapidly over the last years. The economic growth of ASEAN is closely related to the economic boom that China has been experiencing in the last few decades, and therefore there is a close dependency on China.

Table 2: ASEAN Trade by Trading Partner, 2004-2014

(In US dollar Million)

Trading Partner	2004	2007	2009	2010	2014
ASEAN	260,967.6	401,913.6	376,213.2	511,019.9	607,207.0
Trading Partner	810,988.1	1,206,872.7	1,160,663.6	1,498,096.0	1,920,408.9
Australia	25,379.1	41,973.5	43,847.7	55,389.4	70,373.1
Canada	5,649.1	9,496.5	9,019.9	9,864.5	13,155.0
China	89,191.1	171,089.0	178,223.1	231,855.6	366,525.9
EU-28	132,129.3	187,307.5	171,431.1	208,588.2	248,307.6
India	17,696.2	37,243.4	39,075.3	55,383.6	67,707.8
Japan	143,360.9	173,056.0	160,917.8	206,533.8	229,041.8
New Zealand	3,470.0	5,797.0	5,381.4	7,330.7	10,707.5
Republic of Korea	40,595.0	61,208.8	74,771.4	98,560.5	131,439.0
Russian Federation	3,434.5	5,401.5	6,769.0	9,055.9	22,542.9
USA	135,975.7	178,188.7	148,780.1	186,542.7	212,428.6
Rest of the World	214,107.2	338,110.9	322,446.9	428,991.1	548,179.6
TOTAL	1,071,995.8	1,610,786.3	1,536,876.8	2,009,115.9	2,528,615.9
Source: ASEAN Secretariat, ASEAN Statistical Yearbook 2015					

Table 2 show how the trade between ASEAN and China has grown exponentially in the last years. The economic interdependence between ASEAN and China keeps growing stronger. China is the ASEAN countries' most important external trading partner. After the financial crisis in 2008 China became the most important trading partner with the ASEAN.

In regards to theoretical perspectives, economic interdependence raises the cost of military conflict in the short term, and therefore economic interdependence has the potential of preventing conflicts. In the long run it should also have the potential of

countries building better relationships. It could be argued that the economic interdependence is the reason why there is yet to be directly military conflict in the SCS. It seems that the disputing countries over territory in the SCS so far have seemed reluctant to escalate the disputes, however, it also seems that the claimants are pushing the boundaries to see how far they can go in their claims and in the methods of reaching their goals. The economic growth has in the short run been a disclaimer in escalating the disputes into military conflict. The economic growth has been central and the disputes in the SCS has for some time been secondary.

The economic growth of China has resulted in growing economic ties with Asia and the rest of the world. China's influence on the political scene all over the world is slowly growing. The economic ties to ASEAN and ASEAN's economic dependency on its biggest economic partner, China (See table 2), has resulted in a growing assertiveness from Chinese side. The ASEAN countries have slowly become dependent upon export to the Chinese market.

As the economic dependency upon China is rising for ASEAN, it is possible to argue that the Chinese politicians are utilizing this dependency to assert its influence on the ASEAN states. At least the growing assertiveness in the SCS can be seen as a sign of this.

In table 3 and 4 it is obvious how China is a growing export market for the ASEAN states. While in table 5 and 6 you see how the ASEAN states are dependent on the Chinese import market.

The growing dependence on the Chinese market whether it is import or export is evident. The statistics show how much the dependence on China has grown since 2004. It could definitely be argued that while the economy has been growing the disputes in the SCS have been secondary to the economic growth. However, China has seen that the ASEAN states have a growing dependency on Chinese economy, which has led China to exert its political influence, and slowly to become more assertive regarding the disputes in the SCS.



Table 3. ASEAN Export Market 2004

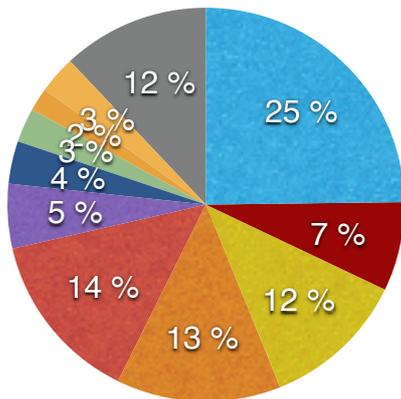


Table 4. ASEAN Export Market 2014

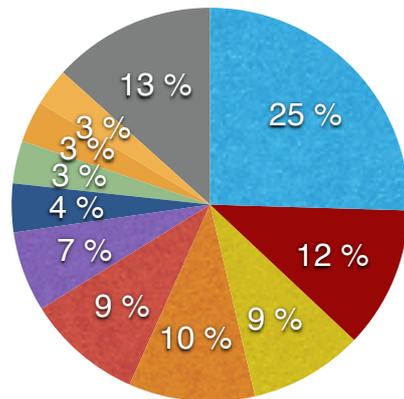


Table 5. ASEAN Import Market 2004

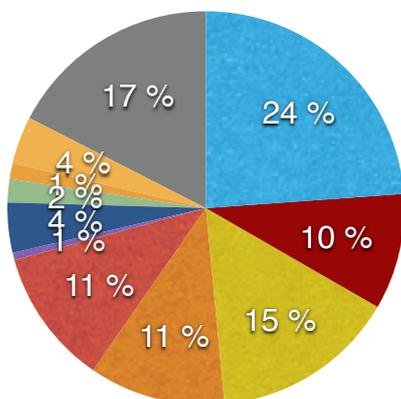
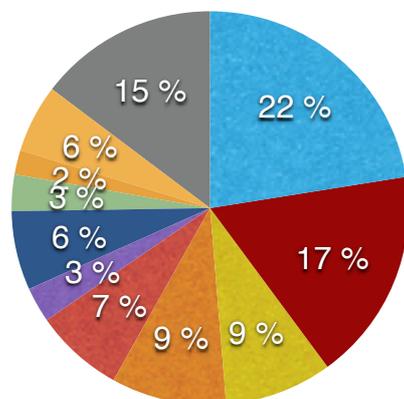


Table 6. ASEAN Import Market 2014



Source: ASEAN Secretariat, ASEAN Statistical Yearbook 2015

Military Power

All around the world many states have increased their military spendings. The amount of spendings in military capabilities differs greatly from state to state. In Southeast Asia the defense expenditure is rising rapidly even though the economic interdependence among the states growing.

China has in the latest years modernized the People Liberation Army (PLA), which has made the military budget spending explode. No one in the Asia is spending as much on their military as China.

Table 7.

Military expenditure by country, in constant (2014) US\$ m., 2006–2015			
Country	2006	2010	2015
China	92586	144383	214485
Malaysia	4451	4191	5300
Phillipines	2592	2869	3893
Vietnam	2172	3378	4581
Brunei	395	432	460
USA	619653	757992	595472
Source: SIPRI.org (Stockholm International Peace Research Institute)			

Some of the numbers of table 7, are given with some uncertainty. The estimates in blue are believed to be at some uncertainty where as the numbers written in red are of high uncertainty. Uncertainty or not, the numbers are indicating in what direction the military expenditure are going. China is investing heavily in military progress. The countries involved in the military disputes of the SCS are, just as China, investing in military progress, however, not nearly to the same extend as China. In the perspective of a structural realist such as Mearsheimer, it could be argued that China is becoming a continental power. A continental power with a big army is very dangerous according to Mearsheimer.¹¹³ Large amounts of the military expenditure are being spent on the Chinese land forces which consists of approximately 1,6 million personnel. The Chinese government is trying to ease the anxiety of its neighbors of its military intensions by

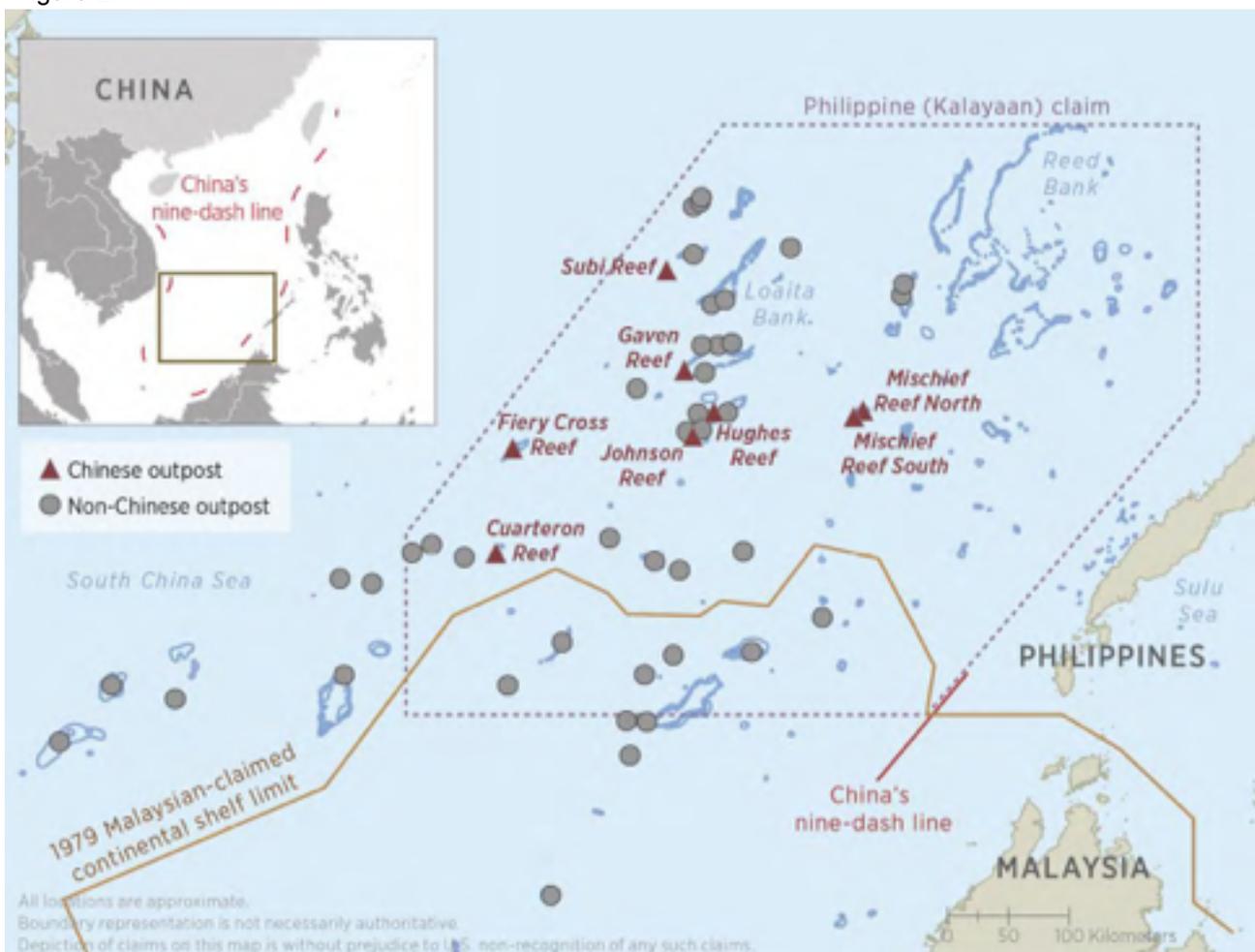
¹¹³ Mearsheimer 2001

claiming that they are not aggressive. This, however, seem to be hollow in the ears of its closest neighbors, especially, those involved in the disputes in the SCS.

The concern of China's neighbors have become more intense since China are growing its military power projection. The Chinese military is becoming increasingly competent, and the possibility of projecting its power into the SCS and beyond is growing as it is investing in offensive military capabilities. However, the argument might be a defensive one, as Mearsheimer states; you can never know the intensions of state, it might be peaceful in the short term but things can change and military power might in the long run be used aggressively and offensively.¹¹⁴

Figure 2 pictures, we see the outposts of the Chinese military and it shows how the Chinese military is present everywhere in the SCS.

Figure 2.



Source: Office of Secretary of Defence

¹¹⁴ Ibid

“President Xi Jinping—have characterized the initial two decades of the 21st century as a “period of strategic opportunity.” They assess that during this time international conditions will facilitate domestic development and the expansion of China’s “comprehensive national power,” which outside observers believe will serve what they assess to be the Chinese Communist Party’s (CCP) overriding strategic objectives:

- perpetuate CCP rule;*
- maintain domestic stability;*
- sustain economic growth and development;*
- defend national sovereignty and territorial integrity;*
- secure China’s status as a great power and, ultimately, reacquiring regional preeminence;*
- and safeguard China’s interests abroad.”¹¹⁵*

The strategic importance of the SCS to the Chinese and its neighbors is making the conflict highly sensitive. This fact that China is still rising into a great power make the Chinese claim even more difficult, from the Chinese side, to back down from. The importance of the SCS is eminent, and the increasing military presence in the region is making political diplomatic solutions the the disputes extremely difficult. The misbelief of actions between the disputing nations makes cooperation on this question difficult.

The increased spendings on the Chinese military, and the increased presence of the Chinese military everywhere in the SCS, is questioning the willingness of the Chinese government to find a peaceful and diplomatic solution to the sensitive issue of territorial disputes in the SCS.

¹¹⁵ China Military Report pp. 41 - Report to Congress

Multilateralism

The ASEAN states have different possibilities in order to cope with the rise of Chinese power. The ASEAN states can either choose to balance the growing power and influence of China or choose a bandwagoning strategy. Either way are strategies that the states choose as the best possibility for their future growth. The question whether the ASEAN institution should be an institutional balancer to the Chinese growing power or whether multilateralism is the way to go arises.

ASEAN has had difficulties in negotiating settlements in the disputes. As explored in earlier chapters, all parties in the disputes are growing their military muscles and provoking each other. In order to find a peaceful settlement multilateral agreements have been useful and the ASEAN institution and states involved in the disputes need to clarify to the Chinese that such negotiations are in Chinese interests as well. The ASEAN parties involved in the disputes have not been successful in pressuring China into multilateral negotiations in the settlement of the disputes, instead China are insisting on bilateral negotiation.¹¹⁶

Especially Vietnam and the Philippines are not interested in bilateral negotiations with China, as they believe that the Chinese side will overrule any wishes from their side and not take their negotiating partners interests into consideration.¹¹⁷

The “ASEAN WAY”, however, is in compliance to the Chinese wishes of bilateral negotiations as the foundation of the association is non-interference in other state’s disputes. Therefore the ASEAN states not directly involved in the disputes, are not interested in involving themselves.

The Chinese’ role as a large economic partner in the region also makes many countries reluctant to get involved in the disputes.

¹¹⁶ Odegaard, 2003

¹¹⁷ Ibid

Power Relations in the Southeast Asia

The economic relations between China and the Southeast Asian countries are growing and have been deepening for the last few decades. Despite difference of opinion in various matters they have all been able to see the benefit of economic cooperation.

The Role of the ASEAN States

The economic growth of China has helped the ASEAN countries in their economic prosperity as well. Even smaller states in ASEAN has benefited greatly from the Chinese economic rise. A country such as Laos has been able to attract attention from the Chinese and attract economic initiatives and investments from China. The fact that a country such as Laos, which is the poorest country among the ASEAN states, has been able to attract Chinese investments is an indicator of why ASEAN states will not antagonize China, and why they are unwilling to support their fellow member states of the ASEAN in their disputes with China over territory in the SCS.¹¹⁸

Vietnam and the Philippines have for a long time been formal allies with the US. They therefore accept and appreciate US presence in the SCS. The US presence have a pre-aggressive presence to the Chinese assertiveness in the SCS. The Vietnamese and the Philippine alliances with the US are strategic ways of balancing Chinese assertiveness in the SCS.¹¹⁹

Other ASEAN countries have pursued a hedging strategy without any specific wish for an alliance. They go either way if it is US presence or Chinese presence, as they have domestic preference to other issues that are of higher priority than what is going on the the SCS.¹²⁰

“The ASEAN framework offered a forum, through the ARF, for the introduction of China into multilateralism in Asia; rather than following its traditional diplomacy of bilateralism in its dealings with neighbours, where Chinese power could be used to take advantage of differences between them, the Chinese choose from 1995 onward to deal with the ASEAN countries on a multilateral basis. This approach was later extended to negotiations on

¹¹⁸ Bates et al. 2016

¹¹⁹ Ibid

¹²⁰ Ibid

several aspects concerning the SCS, although the Chinese have continued to argue that territorial disputes should be dealt with on a bilateral basis.”¹²¹

The Role of the US

The strategic importance of the SCS for trade etc. forces the US to get involved in the SCS. The presence of the US in the Southeast Asian region is a stabilizer in the disputes.

The US pivot to Asia has resulted in US reorganizing and increasing its military capabilities and military presence in, and around, the SCS. The US have strengthened its ties with different ASEAN member states, however ASEAN is still unable to clarify what exactly they wish the US to do. The ASEAN member states have different strategies towards negotiating a satisfying result of the disputes in the SCS. The insecurity and unwillingness at finding a common solution makes the settlements even more difficult.

The US rebalance towards China has had China responding that the US is trying to contain China. In a realism theoretical perspective a more assertive and rising China can see the rebalance of military capabilities as a way of containing Chinese sovereignty and this can have an effect on the relationship among China and its neighbor countries and US-China relations.

The strengthening of US ties with ASEAN allies, and the increase in military capabilities and personnel in the region, has the possibility of increasing the mistrust between China and its neighbors. The increase of military personnel and capabilities in the region is furthermore increasing the risk of misunderstanding the intentions of each other. The high economic interdependence between the nations is still beneficial to all parties, however, the high number of military personnel and the strategic importance of the SCS can make the interdependence among the countries insufficient in maintaining a relatively peaceful resolution to the disputes.

¹²¹ Yahuda, 2008 p. 349

Conclusion

This thesis has discussed the relations between economic interdependence and the current disputes in the SCS. The question of why the disputing countries of the SCS is engaging in the disputes despite the high economic interdependence have been the backbone of this research. Realism, liberalism and constructivism has been the theoretical lenses in this paper. Whether the high economic interdependence is increasing the risk of conflict, as realists suggests, or whether it decreases it, as liberals suggests, have been researched.

The research indicates that the economic interdependence has had no influence in the increasing disputes in the SCS. There is a divide between the political intentions of the SCS and the general economic development, which seems to make the liberal hypothesis that high interdependence decreases the risk of conflict insufficient in explaining the dynamics of the SCS dispute. As of present day, the economic interdependence of liberalism is not sufficient at explaining or contributing to a resolution in the SCS disputes. The fact is that the economic interdependence is unable to decrease the disputes and instead disputes keep escalating further between China and the other claimants in the disputes of the SCS. The disputes are furthermore not being resolved through multilateral negotiation in ASEAN instead, the opposite seems to be the case. The economic interdependence is intentionally not being a part of the disputes. The US presence in the region only contributes to the idea of power politics which furthermore proves the irrelevance of liberalism in explaining the disputes of the SCS.

With regards to realism, the case seems to be the same when examining the role of economic interdependence. It does not seem that high economic interdependence increases the risk of war. This is a result of the common agreement to keep economic interdependence out of the picture in the SCS. However, there seems to be other factors involved that make realism suitable at explaining some of the dynamics in the disputes. The geopolitical importance of the SCS, a weak ASEAN, and the structural power of the countries in the region exemplifies the relevance of realism in explaining some of the dynamics of the disputes.

The weakness of ASEAN shows the irrelevance of liberalism, and the fact that some countries are trying unilaterally to find solutions to the disputes are in contrast to the idea that institutions are strong and able to affect countries behavior.

Constructivism would explain the value of ASEAN. The norm of ASEAN as non-intervening and non-interfering goes a long way with the concept and influence of ASEAN norm. Constructivism might help explain how come China and the disputing parties of the SCS disputes are able to divide their disputes from economic interdependence and economic development.

Constructivism, however, is also struggling with an explanation to the disputes, ASEAN seems unable to affect the behavior of the claimants. The idea of common identity and development is not sufficiently explaining the divided idea of a common resolution.

That the parties involved in the disputes in the SCS, have been able to divide economic development from the disputes, therefore seems to be essential in explaining why the deep economic interdependence have not refrained the parties from engaging in disputes. The hypothesis of this thesis therefore seems to be falsified.

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