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South China Sea Disputes: How Different Domestic Dynamics Impact on Contemporary Philippine Political and Economic Relations with China

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This would not have been possible without the help and support of many people around me, to only some of whom it is possible to give particular mention here.

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List of Abbreviations

APEC	Asia Pacific Economic Cooperation
APT	ASEAN-Plus-Three
APR	Asia Pacific Region
ASEAN	Association of Southeast Asian Nations
CLCS	Commission on the Limits of the Continental Shelf
DFA	Department of Foreign Affairs
DOE	Department of Energy
EEZ	Exclusive Economic Zone
EDCA	Enhanced Defense Cooperation Agreement
EIA	Energy Information Administration
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IR	International Relations
ISIS	Islamic State of Iraq and Syria
JMSU	Joint Marine Seismic Undertaking
KIG	Kalayaan Group of Islands
MDT	Mutual Defense Treaty
ODA	Official Development Assistance
OFW	Overseas Filipino Workers
PD	Presidential Decree
PNOC	Philippine National Oil Company
PRC	People's Republic of China
SCO	Shanghai Cooperation Organization
SCS	South China Sea
SLOC	Sea Lines of Communication
TAC	Treaty of Amity and Cooperation
UNCLOS	United Nations Convention on the Law of the Sea
USD	United States Dollar
VFA	Visiting Forces Agreement

Abstract

The ongoing disputes in the South China Sea have gained international attention in the recent years as a number of bordering states continue to fight over territory and sovereignty claims of the contested Spratly Islands. China and the Philippines are among the claimant states whose foreign policy is largely driven by dynamics coming from the external environment. This study delves into issues concerning the role of domestic dynamics on the contemporary Philippine political and economic relations with China under the administrations of former President Gloria Macapagal-Arroyo (2001-2010) and current President Benigno S. Aquino III (2010-2016). This study argues that despite of the strong influence on the foreign policy choices, brought by national power and state's position in the international system, domestic dynamics can also shape the Philippine foreign policy and its outcomes. President Arroyo's friendly relationship with China is represented through bilateral diplomatic relations and economic partnerships, whereas the Aquino III's "antagonistic" relationship with China is guided by geopolitics with US' involvement and multilateral and legal strategy at the UN Tribunal. This qualitative study employs a method of textual analysis of data gathering. Among the main strategies used, include documentary research, news analysis, and reviewed scholarly works relevant for the topic of this study. Several materials like journals, newspaper articles, books, particularly about political economy, foreign policy and diplomacy, history, and social sciences have been collected from libraries, official documents and government websites. The theory of neoclassical realism guides the understanding of the problem of this study as it seeks to explain how, why and under what condition domestic dynamics shapes the foreign policy. The concept of security dilemma is used to describe the phenomenon under which states operate in the international system. This study concludes that the significant role of states' domestic dynamics in any conflict management or resolution mechanisms should be highly considered because they can alter the balance of peace and stability in the international system.

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1. Introduction

The world has witnessed how some countries in Asia have squabbled over territories in the South China Sea for several decades. The South China Sea (SCS) row became an internationally observed issue. It is a dispute over territory and sovereignty over ocean areas where a number of bordering countries have laid claims in whole or in part of the contested Spratly Island groups. Among the claimant states include China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines. Claims are based on a complex mixture of historic, legal and physical characteristics. All of the claimant states assert to have territorial and sovereignty claims, particularly over rights to exploit the uninhabited regions that are believed to have great reserves of natural resources around them. These special rights to marine resources and energy exploration and production are enclosed in the Exclusive Economic Zone (EEZ) prescribed by the 1982 United Nations Convention on the Law of the Sea (UNCLOS). The Convention suggests that a claimant state's EEZ outwardly spans 200 nautical miles from the coast of its main territory.

While the influx of literatures about the South China Sea disputes talk about how the issue can be best managed or at least mitigated, only a few talks about how domestic variables of claimant states contribute to the exacerbation of the disputes in the international system. A state's international affairs are not solely driven by forces coming from the external environment, but forces coming from the domestic level, which may also alter the flow of international outcomes through foreign policies that states pursue internationally. Foreign policy, as defined by Christopher Hill (2003), is a "purposive action with the view towards promoting the interests of a single political community or state". Generally, Encyclopedia Britannica defines foreign policy as "general or universal objectives, intentions or goals pursued by one state to guide its dealings with other states". It is considered as a "general" or "universal" guide because foreign policy is developed from complicated domestic considerations, policies of other states in question, or plans to pursue certain national goals in the international realm. Therefore, in understanding possible reasons behind the behaviour of states that operate in the international system towards systemic pressures and incentives, it is important to also look at their internal characteristics that influence their behaviour.

Of all the claimant states, China is the most proactive. The economic development of China is an important determining factor on policies it pursues internationally. China lays claims to almost all of the SCS as reflected from its nine-dash line claims. On the other hand, the

Philippines is considered as the most aggressive and vocal to challenge China's claims in the SCS. The Philippines made claims of a historic nature of the Spratly Islands, while at the same time invoking the rules laid out in UNCLOS. The Philippines, like other claimants, have installations on their claimed territories, but nothing on the scale of China's reclamation. Although other less powerful claimant states have expressed discontent towards China's assertions in the SCS, only the Philippines has challenged China by filing a legal case in the United Nations International Court of Arbitration, questioning its nine-dash line claims. The Philippines is perceived as an ultimate 'game changer' in the disputes, a small country going against its giant neighbour (Bautista 2014, pp. 3-24).

The China-Philippines island disputes are greatly shaped by the rising apprehensions about the rise of China as a regional economic and military power. Many scholars, like John Mearsheimer (2014), Scott Snyder (2009), John Ikenberry (2008) and Elisabeth Economy (2005) have argued that China's economic rise has permitted it to pursue a greater role on the international arena, particularly in Southeast Asia where its diplomatic influence is strongly felt and has profound implications for the balance of power. With the system of anarchy under which states operate and the rising economic and military capabilities of China, a security dilemma in the APR emerges. Security dilemma is a condition wherein the enhancement of a state's own security for defensive purposes fuels the insecurity of other states, thus creates uncertainty (Mearsheimer 2014). Uncertainty produces fear and suspicions that cause states to implement policies that may appear threatening towards other states and inevitably, diminish their own security.

Efforts in countering Chinese aggression in the SCS seemingly become the focus of attention by the current Philippine President Benigno S. Aquino III administration. In the beginning of 2010, more aggressive approaches in its dealings with China in the SCS have been central to the Philippine foreign policy. President Aquino III's strengthened diplomacy to counter China is reflected in the stronger security ties of the Philippines with the US who is also the country's long time ally, the implementation of the modernization programme for the Armed Forces of the Philippines and the ongoing legal battle in the Permanent Court of Arbitration that challenges China's claims in the SCS. President Aquino's predecessor, the former President Gloria Macapagal-Arroyo, however, pursued a friendlier and accommodating attitude towards China during her presidency, especially on China's demands in the SCS. The differences in the behaviour of the Philippines towards China under these two presidents have clear ramifications for the future of the China-Philippines relations.

1.1 Problem Statement

The ongoing territorial disputes in the SCS for several decades have profound implications to the regional stability in the APR. Just as China-Philippines bilateral relations follow disorder brought by series of incidents in the SCS, this study answers as to how and why have territorial and maritime disputes in the SCS impacted on the economic and political relations of the Philippines with China. This study delves deeply into issues concerning the China-Philippines territorial and maritime disputes in the SCS. The behaviour of the Philippines towards China is greatly affected by the intense power competition in the international system as explained by the balance of power (Mearsheimer 2001). But domestic level variables may also intervene and influence the behaviour of the state through the policies it pursues in the system (Lobell et al 2009). This qualitative study explores the role of domestic dynamics in shaping the Philippines' national interests that drives the foreign policy towards China under President Gloria Macapagal-Arroyo (2001-2010) and President Benigno S. Aquino III (2010-2016) administrations.

This study employs the concept of security dilemma to explain the phenomenon of the renewed tensions between the two states following the Chinese occupation of the Mischief Reef in the SCS, which is a territory also claimed by the Philippines. The theory of neoclassical realism guides the analysis of domestic level variables, such as decision-making, decision-makers, complex processes, events, bureaucratic bargaining, as well as the utilization of national resources, in shaping the Philippine foreign policy towards China. This study argues that the domestic dynamics of the Philippines can shape its foreign policy and its outcomes. This is empirically evident in the study of the Arroyo and Aquino III administrations. This study finds that the Arroyo administration's friendly relationship with China is represented through bilateral diplomatic relations and economic partnerships, whereas the Aquino III's "antagonistic" relationship with China is guided by geopolitics with US' involvement and multilateral and legal strategy at the UN Tribunal.

In the context of the South China Sea dispute between China and the Philippines, the uncertainty brought by a security dilemma exacerbates the already complex situation between the two states. The economic and military advancement of China threatens the Philippines' own survival. The unavailability of accurate information or perception about other states' real intention produces fear and suspicions among states, and thus exacerbates security dilemma.

It is apparent that states do not react similarly to the same objective external situations, but a state's internal characteristics can also shape a state's foreign policy and its outcomes.

1.2 Research Purpose

The SCS disputes have raised questions and concerns about the threatened regional stability that seemed likely to intensify due to the territorial disputes between China and several other countries in Asia. Apparently, the Philippines became the most assertive claimant state to challenge China's claims despite of being amongst the many states in world whose military capability is most under-funded and poorly equipped. Moreover, the Philippines brought an arbitral case against China under the auspices of the UN Convention on the Law of the Sea (UNCLOS), which allows any parties to submit any dispute concerning the interpretation or application of such Convention. This study reveals different domestic and international level dynamics that influence the attitude of the state in question towards international events. Territorial conflict on disputed islands in the Asia Pacific Region (APR) is not new to the Philippines. However, several changes have occurred over times, particularly in the level of external threats towards the country's national security, the kind of national goals being pursued internationally to counter threats or to benefit from external opportunities, as well as changes in the roles of influential actors or institutions involve in critical domestic processes.

The purpose of this study is mainly to understand how and why domestic dynamics impact the foreign policy behaviour of a state under a given circumstance at a given time. I argue that states do not react or behave similarly on the same situations and that its internal characteristics also affect how it responds to external threats and possibilities. This study explores, describe, and explain events, processes and policies related to the SCS conflict that constitute direct impacts on the economic and political behaviour of the Philippines towards China. The goal is to show the differences in the administration of former President Arroyo and current President Aquino III and to draw special attention on domestic and external factors that give rise to the exacerbation of the disputes between China and the Philippines, especially about how political frictions and mistrust among major actors affect the internal assessments and construction of the Philippine foreign policy towards China.

This study identifies key differences or patterns on the behaviour of the Philippines, say how domestic actors or drivers have successfully managed in promoting the Philippines' national interests in its relations with China, or are any major constraints to the attainment of more

desirable outcomes. Furthermore, what these outcomes suggested that have implications for the study of international relations.

1.3 Focus of the Study

This study deals with the foreign relations of the Philippines towards China in light of the territorial and maritime disputes between these two countries in the SCS. The focus of the study is a comparison of foreign policies between the former President Gloria Macapagal-Arroyo (from 2001-2010) and President Benigno S. Aquino III (from 2010-2016) administrations. This study highlights the strategic and economic significance of disputed territories in driving the conflict between the two countries, thus influences the construction of the Philippine national interests, which drives its foreign policy towards China. The comparison between the two governments is relevant in distinguishing significant events, actions, policies and other nuances that have influenced any major developments and patterns in shaping the Philippine foreign policy across time under given similar constraints.

I argue that the Arroyo government promotes economic and development cooperation with China in a more relaxed and friendly drives, whereas the relation of the Aquino III government with China is strained by involving the US to counter the balance of threat and bringing the solution of their conflict to arbitration. Their respective foreign policy strategies towards China differ, because of the changing phenomenon in the international system to which they operate and the intervening forces in the domestic level that shape the country's foreign policy. Externally, new developments have occurred over the years, such as the spread of terrorism, the rise of new power (like China) and the decline of great power (like the US) in areas of diplomacy, policy, economy or security, and the challenges they pose in the regional status quo in APR. They determine the level of threat and interdependence that the Philippines can tolerate at a given time and circumstance, as well as which national interests to prioritize and pursue externally.

1.4 Methodology

This chapter outlines a systematic way of how the research problem is solved. It explains how the methods of research design, data collection and analysis best fit the research problem, and how the underlying issues of accessibility and limitations of the research approach used affect

the problem being studied. In addition, this section explains the reliability and credibility of the study.

1.4.1 Qualitative Research Design

Research approaches refer to plans and procedures for research that describe which steps to take in collecting, analyzing, and interpreting data (Creswell 2014, pp. 3-4). A research approach is selected based on the nature of the research problem or issue being addressed, as well as the audience for the study that accept the research (Ibid). The research problem of this study calls for a qualitative research design that allows an in-depth analysis and closer look of the processes and meanings which cannot be measured in quantity or frequency. Generally, a qualitative research can be distinguished from another type of research design called quantitative research by looking at the basic philosophical assumptions researchers bring to study, the types of strategies used, and the specific methods employed in conducting these strategies (National Science Foundation).

A qualitative research design is used in this study because it provides basis and tools for exploring, understanding and interpreting social, political and human phenomena. Given the nature of the research problem of this study, qualitative research provides a more realistic feeling and views of the world, events, actions or policies that cannot be experienced in any numerical or statistical data. This study collects and analyzes data on politicians' speeches, government rhetoric, diplomatic letters, or a budget for certain project. And because these are information that anyone could easily relate to than numerical ones, the extent of interpretation is greater. Furthermore, with the use of qualitative research, it is easy to understand the aim of one's action by being exploratory in interpreting them through triangulation and to relay the message of such action with the use of senses. Qualitative research allows researchers to investigate selections of cases through observation, interviews, case studies, and discourse analysis (Berg & Lune 2012, pp. 11-14). However, certain types of methods are not applicable to certain types of cases, such as the method of observation cannot be applied to historical cases.

1.4.2 Methods of Data Collection and Analysis

This study employs a method of textual analysis of data collection. Alan McKee (2003, p.1) defines textual analysis as a way of gathering information about how the world is being

interpreted by other human beings. A text is something that we make meaning from and serves as the material reality that allows for the recovery and critical interrogation of discursive politics in an “empirical” form (Ibid). It can be a film, television programmes, magazines, news or scholarly articles, social media, and so on (Ibid, p.4). The main strategies for this study includes documentary research, news analysis, and reviewed works of scholars in fields of economy, diplomacy and even on military sphere. The sources of data includes official documentaries, TV and newspaper interviews, books about history, security studies, political economy, foreign policies and diplomacy, international organizations and conventions, and other social science-based books which are relevant to the chosen topic. Dictionaries and encyclopedias are also used, as well as journals and photos that were published by primary sources. These data can be accessed from internet, books, and former lectures at school, fellow students, and supervisors who have access to relevant materials needed for this study. The library is also a good place to gather data, particularly in doing a research project in an academic setting, mainly because of their wide ranging sources that are accessible to students. The Norwegian University of Life Sciences and public libraries in Oslo also provide this study with reliable and wide access to academic literatures.

By performing a textual analysis on a text, one makes an educated guess at some of the most likely interpretations that might be made of that text (McKee 2003, p. 89). Likely interpretations produce by different authors or audiences are collected for this study to usefully analyze the nature of people’s interactions, events, programmes, or experiences. This study compares different texts that are explicitly linked to one another in order to get a clear understanding on the correct interpretations of texts and to find the meaning that these texts want to portray.

1.4.3 Strengths and Limitations

It is an advantage that this study employs a qualitative research design, as it provides tools that are relevant and necessary in the analysis of data and the interpretation of results, which determines whether or not the research problem of this study has been answered. Some the strengths of using textual analysis on a text include the condition to which it allows me to interrogate the texts itself by questioning the ideology at work on that text, the language that is used, the context to which is written, as well as the power relations in play, like how the author of a text position herself/himself in a way that my own interpretation is greatly

influenced, or worst, manipulated. By reflecting on the texts, I am able to ask myself about who is doing what to whom or to whose great interests a text is made for. This is reflected mainly on news articles that are used for this study. Texts are socially constructed, thus promotes neutrality, but looking at it on a positive side, text is relatable, because contexts can be found in reality or in a phenomenon where I also exist. Moreover, texts can be easily narrated when I read or hear them first hand from original its original sources.

The process or cross checking two or more texts increases the validity and reliability of the results and findings of this study. Thus, it is an advantage for this study to have numerous sources to compare and verify one data to another. Triangulation helps reduce biases and increases the probability of establishing valid interpretations. However, the process itself is time consuming. Therefore, it constitutes a lot of work on my part as a researcher, but I triangulate texts and link them together to the best of my ability given the time allocated for this study. Other texts employ in this study create some stereotypes that at times influence the way I see or assess particular actors, events or trends. Also, other texts create signals that can be interpreted differently by its audiences, but I try my best not to fall in this dilemma by cross checking each text and its sources. The method of analysis of this study also open doors for my personal innovation, as I get to introduce to new ideas that have influenced my creative thinking, particularly about the focus of this study.

In order to achieve a considerably valid analysis, interpretations of texts are done in a neutral manner. Through transparency and reflection throughout the analytical process, I avoid making biased interpretations by providing data that represent the side of every party involves in this study. However, certain factors inevitably influence my own understanding of events or happenings relevant to the issue of study. Occasionally, I am challenge of confirming my ability to analyze and interpret things well and to ensure that my own interpretations are, if not consistent or accurate, at least not far to that of the original sources. Also, when doing the analysis, I reflect on the possibility of influencing the research with my personal opinions, emotions and experiences, which possibly leads to irrelevant conclusions. Nevertheless, I consider the value of self-awareness, particularly throughout the analytical process in order to provide reliable results. With the volume of data collected, the processes of selecting data that share almost the same interpretations of a particular text, as well as the analysis and interpretations is time consuming.

This study reckons the inclusion of some external dynamics in the analysis section that may overlap other dynamics and therefore confuse the readers. For example, the discussion on the role of the US in the China-Philippines relations may overlaps with the US' role in the Mischief Reef incident. Nevertheless, I ensure that both the international and domestic dynamics are included in every discussion to comply with the requirement of applying the theory to my empirical evidences.

In this study, it is crucial to distinguish my own interpretations of texts from the interpretation taken from other sources. Some of the texts used are paraphrased, although some are with direct quotations, which represent greater accuracy. Nevertheless, a deeper analysis or accurate interpretations of different texts are in the analysis section, where I also showcase my own perceptions of data collected.

1.4.4 Data Reliability and Validity

There is a general consensus for qualitative inquirers to demonstrate the credibility of their studies by establishing validity in their works (Creswell, 2000, pp. 124-30). Thomas Schwandt (cited in Creswell and Miller, 2000) defines validity as to how accurate the account represents participants' realities of the social phenomena and is credible to them. Thus, validity is not only limited to the data collected, but also refers to the processes and strategies researchers have used in order to establish the credibility of their research. Having this in mind, this study employs a narrative account where evidences are collected primarily through multiple methods, such as interviews, observations, or questionnaires that significantly contribute to the reliability and credibility of this study. The nature of the problem presented and the aim of this study requires a more in depth deliberation of different factors that may have influenced the emergence of the problem in question. This is why there is a need to consider the application of different methods of data collection used by my sources in order to increase the probability of answering my research problem. Furthermore, this study go through a process of sorting systematically all the data interpreted by various authors in relation to the research problem of this study and find common themes among them. Different texts are sorted out according to how clear the connections are to each other, or in other words, finding out the most likely interpretations produced by different authors or audiences.

As mentioned in the preceding chapter, this study applies the process of triangulation, where multiple sources of data are collected, analyzed and compared with each other. By comparing data from multiple sources, it is easy to identify whether or not these sources share the same interpretations and results of a particular text. Most likely interpretations increase the transferability of data, which is also a relevant criterion in measuring the validity of a research. I choose the best data out of the triangulation process, the right approach and methods of data collection that help in answering my research problem and to generate conclusions. Qualitative method requires that the data collected are reliable and represents truth value when findings are tested. This study ensures that the accurate description of the analysis matches with the original data used in this study. Also evidences are used to support my analysis, which help increase the credibility of this study. Evidently, the research approach, methods employed and data used address the issue of applicability, which is another criterion for reliability (Krefting, 1991, p.216).

It should be noted also that this study is free from bias in its research procedures and results. To exercise neutrality of data, this study is using several varieties of sources that follow the demand of reliability, like books, academic literatures, documentaries, or official government websites. News articles are also used, but I try my best to be very cautious of the real intention behind every article since news articles are very subjective and do not follow ethical procedures like scholarly articles do. Meanwhile, I am also open to the possibility of being accused as biased considering that my country of origin is the Philippines, and this topic is mainly concerned about the Philippine foreign policy towards China in relation to their widely talked disputes. I, otherwise, try to exercise fairness and avoid discriminatory or derogatory comments as possible. Valuable data that represent China's voice on this matter are also used. Importantly, this study shows confidence in its findings, as it manage to answer the research problem.

1.4.5 Structure of the Study

Having presented the research question, this study proceeds as follows: In chapter 2, this study explains the rationale for choosing the concept of security dilemma and the theory of neoclassical realism, as well as the theory and concept themselves. The fundamental core assumptions of security dilemma and neoclassical realism that derived from different theoretical approaches of realism serve as guides to best present the research problem and

purpose of this study. The concept of security dilemma is presented with a focus on the construction of threat and uncertainty among states operating in an anarchical environment. Also, this guides the comprehension of “China threat” in the Asia Pacific Region and the analysis of renewed tensions between the Philippines and China. In the same way, the theory of neoclassical realism talks about the role of domestic variables in the formation of a state’s foreign policy with a focus on decision-making, decision-makers, certain processes, episodes and conditions that affect foreign policy and its outcomes. Neoclassical realism theory guides the analysis of how the Philippines respond to external threats and opportunities brought by the SCS disputes under the given domestic variables that may intervene in shaping its foreign policy.

Chapter 3 provides the historical and contemporary contexts of the SCS disputes. First, this study presents other littoral states that also lay claim on some parts of the SCS apart from China and the Philippines by providing a map showing the areas of disputes. It illustrates how one state’s claims overlap those of others’. Secondly, a background on the China-Philippines island disputes shows emphasis on the number of land features inhabited by claimant states in the contested Spratly Island group. This chapter touches the important event of Mischief Reef’s occupation by China that marked the beginning of the Philippines’ pursuit of defensive measures against China. In addition, this chapter highlights the strategic and economic interests of the Philippines in the SCS, summarized as follows: great oil reserves are a key to boost Philippine economy and reduce oil imports dependency; great fishing capacity can address food insecurity and bloom into a multi-billion dollar industry; and the Freedom of Navigation provides a gateway in achieving national development and security. In order to illustrate the great demand for oil by the Philippines, data on the Philippines’ total production and consumption of Petroleum and other liquids (from 2011-2014) are provided. The economic and strategic significance of the SCS are relevant in understanding the determinants of the national interests of Philippines that drives its foreign policy towards China. Finally, this chapter presents the claims and bases of claims of the Philippines on features in the Spratlys. It specifically presents the stand of the Philippines on the disputes as well as the challenges that the country faces internationally.

Chapter 4 contains the analysis and discussion where the chosen concept and theory, as well as the methods used for this study are put together in order to obtain relevant data that simply provide an answer to problems under study. I have four key sub-chapters under this section: The first part contains a brief explanation as to how the Philippines’ bilateral relations with

China, as well as with the US have developed. This explains the role of the US in the construction of the Philippine foreign policy, particularly in the China-Philippines dispute. I argue that the US, China, Philippines triangle is an important strategic relationship in the world of politics. This is followed by an in-depth analysis of the role of the rise of China in exacerbating the security dilemma in the region. This study observes that China's rise constructs threat and uncertainty, thus increases the vulnerability of the Philippines in surviving in the international arena. Moreover, threats and uncertainties influence the design of states' national interests that drives their foreign policy.

Third, this study includes the analysis of the role of the Mischief Reef occupation by China in reviving the ailing US-Philippines security alliance. This extends to the complex systemic and domestic decision-making processes that lead to the revival of the US-Philippines alliance. Fourth, this presents the Arroyo Administration (2001-2010). This deals with issues surrounding the more relaxed, calmed, and friendly relations of the Philippine government with China in the midst of the SCS disputes. This highlights the bilateral diplomatic relations and economic partnership between China and the Philippines. And the last sub-chapter of this section talks about the antagonistic relations between China and the Philippines under the administration of President Benigno S. Aquino III (2010-2016). This section talks about how the failed Joint Marine Seismic Undertaking agreement caused antagonism and mistrust of the Philippines towards China. In addition, this study discusses the Scarborough Shoal tension followed by economic sanctions imposed by China towards the Philippines, particularly targeting the Banana Industry and Tourism Industry. Apparently, these sanctions have influenced the compliance of the Philippines towards China, but the Philippines employ a more aggressive approach by involving the US to balance the power and by suing China in the Internal Court of Arbitration.

Chapter five contains the summary and conclusion of the problem, the main findings and the discussion of findings. This chapter provides a conclusion whether the researcher has answered the research problem or not and identifies the implications of this study for the people working in the field of international relations (IR) or the IR theory itself. The researcher concludes in which direction further research should go in relevance to either the theory used or the topic being studied.

2. Theoretical Framework

This chapter discusses the theoretical frameworks employed for this study. The theory of neoclassical realism guides the understanding of the research problem. It explains how domestic variables of the Philippines also influence the formation of its foreign strategies, thus generate change in the Philippines-China conflict in the SCS. The validity, plausibility, applicability or aptness of the theory used is dependent on empirical evidences and the level of its theory development.

2.1 Neoclassical Realism

This chapter follows a neoclassical realist approach to international relations. Neoclassical realism is a variant of realism, and blossomed from the commitments invested by scholars, like Hans Morgenthau, Kenneth Waltz and John Mearsheimer in discovering and providing rational approaches to best understand international politics. This theory explains how or why states respond to international pressures and possibilities at a given time. To introduce the theory of neoclassical realism, this study begins by uncovering different theoretical approaches of realism starting from the works of their well-known proponents and explain how neoclassical realists attempt to bridge the gap between the international system and the state. Importantly, this chapter also explains why neoclassical realism theory is employed to this study.

Realism has a very long theoretical tradition since the twentieth century, which includes the famous works of Thucydides, Niccolo Machiavelli and Thomas Hobbes - the founding fathers of realism. Realism may be known to have numerous divisions, but according to Steven Lobell (2009) its heirs speak of a coherent tradition that encompasses the following first principles and core assumptions (pp. 4-5):

- (i) Human beings cannot survive on their own, but rather as members of larger groups, wherein their loyalty is required as they are provided with the necessary security from external enemies;
- (ii) The international system is characterized by the system of anarchy – the absence of a higher authority which will govern the entire system;
- (iii) Power is indispensable in securing one's goals, whether those goals are universal domination or simply self-preservation; and

- (iv) Politics is a perpetual struggle among self-interested groups when scarcity and uncertainty are in question. Scarce commodities might be material capabilities or social resources, such as prestige and status.

There are two outstanding realist theories: the classical realism whose pioneers include Hans Morgenthau, E.H. Carr and John Hertz and the structural realism or neorealism whose pioneers were Kenneth Waltz and John Mearsheimer. Classical realism is concerned primarily with the sources of national power of a state and how it can be utilized in international politics (Morgenthau 1968). It also deals with issues faced by state leaders in conducting foreign policy, that is why greater attention were given to power distributions among states, as well as their relation to domestic society (Ibid). However, classical realists like Kissinger, Morgenthau, and Wolfers have underestimated the constraints brought by the international system. As a result, Waltz (1979) merged realism with a system-level theory, which he later coined as ‘neorealism’, arguing that the structure of the international system is the force that drives the behaviour of states towards each other and creates recurring patterns of the systemic outcomes over time.

Among the big issues neorealism attempts to address include, different reasons on the occurrence of war, the logic of the balance of power, and the difficult and temporary concept of cooperation between states (Baylis, et al. 2014). Generally, neorealism argues that ‘anarchy’ is a fundamental characteristic of the international system that fosters fear, jealousy, suspicion, and insecurity (Hoffman 1963), which compel states to pursue a self-help system by enhancing their competitive advantage and their probability of survival (Waltz 1979). It includes some general assumptions about the motivations of individual states, but it failed to provide a detailed explanation on how these states will likely to respond to constraints and incentives posed by the system under given circumstances and time. This failure was noted in the writings of Waltz when he asked the question about how a theory of foreign policy should be constructed when both system-level and unit level forces are in play. Given such perspectives, the theory of neoclassical realism was developed. Neoclassical realism is classified as a theory more interested in explaining a detailed account of a states’ foreign policy behaviour at a given time and situation. This term was originally coined by Gideon Rose (1998) in his *1998 World Politics* review article, in which he argues that:

“...the scope and ambition of a country’s foreign policy is initially driven by the country’s relative material power. However, the impact of power

capabilities on foreign policy is indirect and complex. The system cannot be directly influenced due to the systemic pressures that need to be translated through intervening unit-level variables, such as decision-makers' perceptions and state structure" (pp.144-177).

"Neoclassical realism therefore, seeks to explain why, how, and under what conditions the internal characteristics of states may intervene between the assessment of international threats and opportunities by state leaders and the policies they pursue in areas of diplomacy, military, and foreign economy" (Taliaferro, et al. 2009, pp.4-5). It contends that despite of the strong influence on foreign policy choices, brought by national power and states' position in the international system, domestic variables can also shape a state's foreign policy. Nicholas Kitchen (2010) notes that "the interpretation of key domestic actors about the international distribution of power influences how decisions are made domestically, particularly about which set of national policies can both set out the goals of the state in international politics and prescribe how a broad range of its national capabilities should be utilized in pursuit of those goals". Policies and decisions must be mediated by statesmen's goals, calculations and perceptions (Ibid). Given the system of anarchy, the seriousness of external threats and the scarcity of one's national resources, states must be able to identify or establish which threats should be addressed urgently and interests to be prioritized.

Gideon Rose's work on neoclassical realism does not intend to create an even larger gap between the classical and neorealist thoughts, but rather to build a bridge that will connect the international system and the state. Neorealism and neoclassical realism both begin with the assumptions about the conflictual nature of politics, the centrality of conflict groups, and the importance of relative power distributions (Taliaferro, et al. 2009, pp. 4-5). They both assign relative power distributions as an independent variable, but differ on the range of phenomena they each seeks to explain or dependent variable (Ibid). While neorealism focuses on explaining recurring patterns of international outcomes, such as the likelihood of wars, power balancing and alliances, neoclassical realism focuses on explaining the variation in the foreign policy of a state across time under similar external constraints. The neoclassical realist theory does not suggests which of the two levels, international or national, is more important than the other in the analysis of a state's foreign policy. Rather, the significance of both levels may vary from one issue area to another.

The SCS conflict between the Philippines and China is not solely driven by the power competition existing in the international arena exacerbated by the issue of security dilemma. Rather, there are some forces on the domestic level that also influence the foreign policy behaviour of the Philippines towards China, as well as the outcomes of this behaviour. With the help of the theory of neoclassical realism, this study investigates the Philippines' decision-making, individual decision-makers, threat assessments or perceptions, how interests are ranked, the timing, processes and conditions that affect the foreign policy formation. By going through these domestic variables this study can determine and measure the extent to which the Philippines contribute to the existing problem in the SCS and to also guide possible avenues that can help mitigate the existing problem. This study looks at the intervening variables, such as the role of leadership, the bureaucracy and interest groups in setting the Philippine foreign agenda, say how non-state actors can generate change internationally and under what conditions.

Significantly, neoclassical realism can explain how the Philippines' perceptions and assessments of threats and opportunities brought about by China's activities in the SCS affect the implementation of its own foreign policy at a given time and circumstances. This theory guides the analysis of the Philippines' complex decision-making processes, particularly on issues that concern the assessment of the country's national power being co-extensive to its national interests, which interests should be prioritized at a given time, how to counter external threats, as well as how past experiences should influence the present foreign policy formation of the Philippines towards China. By putting the Philippines' internal characteristics into consideration (as explained by the theory of neoclassical realism) when addressing the research problem of this study, it is helpful to understand the phenomenon under study.

2.2 Conceptual Framework

This study presents the conceptual framework which explains the phenomenon and shows the relationship of different constructs under study.

2.2.1 The Security Dilemma

A security dilemma describes a situation in which military competition, arms race or even wars can occur between two or more states operating in an anarchical environment (Hertz

1950, pp.157-180). Under anarchy, states ultimately rely on themselves to achieve security because there is no supreme authority to counter the use of force by one state on another state. However, in the course of enhancing one's own security, the state in question automatically fuels the insecurity of other states. As Wheeler and Booth (cited in Baylis et al. 2014, pp. 108-9) argued "security dilemma often exists when one state increases its military power or seeks alliances with other powerful states, creating uncertainty in the mind of another state as to whether such preparations are for "defensive" or "offensive" purposes only". Defensive purposes are meant to enhance one's own security in an uncertain world, whereas offensive purposes are to change the status quo for its advantage. This dynamic creates a competitive security spiral, wherein insecurity and uncertainty about other's true intentions causes each side to conclude that it has no alternative but to respond with similar measures that may cause conflict (Baylis et al 2014, pp. 95-96).

The security dilemma operates among defensive or status quo powers whose real intention is to avoid costly and destabilizing competition and mutual arming (Dunne et al 2010, pp. 95-96). The states involved are those who prefer to spend on something which will improve their domestic welfare and to engage in other non-military pursuits. The problem, however, is that it is almost impossible to discern another state's intention with a high level of assurance, because intentions exist only in the minds of decision-makers. This is why security dilemma can be considered as a tragedy. The uncertainty each statesman has of the other's intentions produces fear and suspicion that they may intend harm even though this is not always the case (Collins, 1999, pp. 95-97). This can lead to the implementation of policies that originally, were designed to guarantee protection in case of any harm, but ended up in diminishing such protection or security, because they unfortunately appeared threatening. Hertz (cited in Collins 1999, p.96) also argues that the tragic implication of security dilemma is that what was not initially expected to exist may subsequently cause what exactly has been feared most. The strong drive for security will also inevitably produce aggressive actions if the state either requires a very high sense of security or feel extremely threatened by the very presence of other strong states. As Robert Jervis (1976) writes:

"When states seek the ability to defend themselves, they get too much and too little - too much because they gain the ability to carry out aggression; too little because others, being menaced, will increase their own arms and so reduce the first state's security" (pp.54-65).

Therefore, unless the requirements for achieving the desired level of security are met, a status quo power will continue to improve its military posture, which can appear threatening for others as it resembles that of an aggressor (Ibid). The competition among states in protecting their sovereignty and pursuing national interests in the international system remains constant as each state receives mandate to do so. Donald Nuechterlein (1976) argues that national interests are needs and desires perceived by one sovereign state in relation to other sovereign states that make up the external environment. Therefore, in understanding the foreign policy choices and responses pursued by states, one must first understand what constitute national interest and how it is determined and ultimately implemented (Hill, 2003). The national interest must be the ‘guiding star’ of a state’s foreign policy, a means and an end that it has to be placed above everything else, even above moral principles (Morgenthau, 1951). The highest moral principle must be survival or to regard considerations of justice as inappropriate because the state is entrusted with the lives and well-being of its citizens (Morgenthau 1952). Abiding to moral principles is considerably dangerous foundations on which to base foreign policies. According to Pushpesh Pant (2011) “national interest is not permanent, and because it sits above all individuals or institutes, it is easy for states to justify inhuman measures and extravagant spending on defense and to alter national attention to specific issues in order to justify certain decisions”.

The contemporary security developments in the APR manifested in the “renewed tensions” between China and the Philippines can be best described and analyzed using the principle of security dilemma. The economic rise of China coupled by its rapid expanding military capabilities and recent policies on disputed territories and claimed features in the SCS appear threatening to other claimant states, such as the Philippines. The Philippines, in particular, perceives China’s intentions as “provocative” and even “aggressive”. The “China threat” brought by the growing power of China in the region, marked by widespread uncertainties and insecurities causes the Philippines to act defensively. The unavailability of accurate information or perception about other states’ real intention produces fear and suspicions among states, and thus exacerbates security dilemma. However, further analysis shows that the condition of security dilemma is not the only factor that drives the action-reaction relationship between the Philippines and China. This study observes that the conflict of national interests of significant regional actors at play, mainly China and the US, also contributes to the already complex situation in the APR.

3. Background on the South China Sea and the South China Sea Disputes

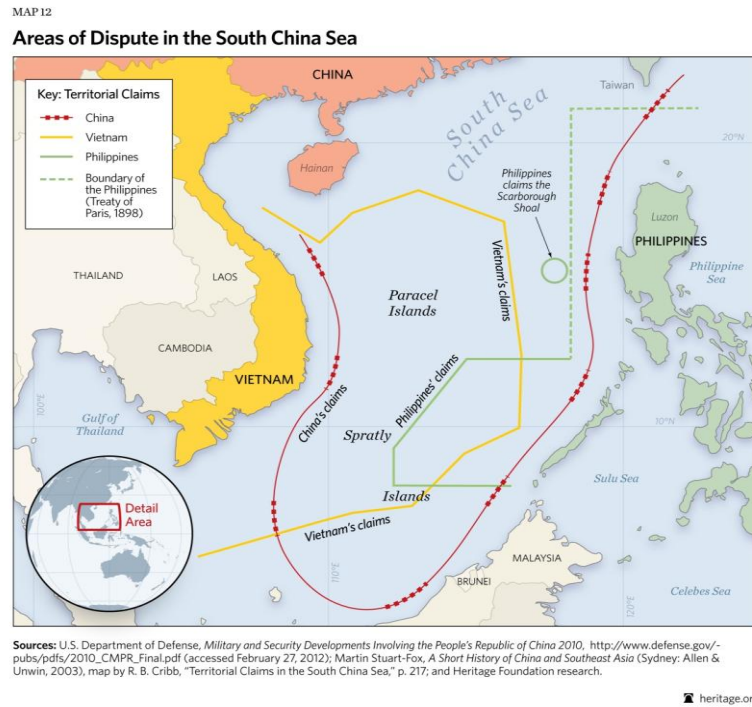
The SCS is situated in the Pacific Ocean occupying an approximate area of 3,500,000 km² that stretch roughly from the Strait of Malacca in the southwest up to the Strait of Taiwan in the northeast (Banlaoi 2012). UNCLOS considered the SCS as a semi-enclosed sea, surrounded by six countries – China, Vietnam, the Philippines, Brunei, Malaysia and, Indonesia. It has an area of 648,000 squared nautical miles, which is twice than the area of the Sea of Japan (Zuo 2005). As Keyuan Zuo (2005, p. 47) describes “its hundreds of small islands mainly consist of uninhabited islets, shoals, reefs, banks, sands, cays and rocks are distributed widely in the form of four island groups and underwater features, namely the Pratas Islands (Dongsha Qundao), the Paracel Islands (Xisha Qundao), the Macclesfield Bank (Zhongsha Qundao), and the Spratly Islands (Nansha Qundao)”.

The SCS has been the area of contentions to multiple, longstanding and competing territorial and maritime jurisdictional claims, which placed the regional relations of various claimants into a great turmoil (Owen and Schofield 2011, pp. 809-822). Both Wu and Zou (2009, pp. 29-30) observe that most problems in the SCS lie in its unique geographical features. However, longstanding disputes continue to emerge because of the power competition in play between littoral states. Robert Jervis (1978) notes that since the world is anarchic and states are not aware of each other’s true intentions, one may behave aggressively towards the others just to secure its own survival. The source of contention is not necessarily brought by the unique features of different island groups in the area, but of different dynamics that stimulate change in the stability in the region affecting the way states relate with each other. Claimant states began occupying some areas to which other states also claim. For instance, China claims the sole ownership of Pratas Islands and Macclesfield Bank. However, the Philippines lays its territorial claims over the Scarborough Reef, which is believed to be also part of the Macclesfield Bank (see Figure 1).

Both China and Vietnam contest for control of the Paracel Islands despite the fact there have been no political or military tensions have been noted between them due to the firm control of China. All of the claimant states, with the exception of Brunei, have sought to justify their sovereignty claims over the disputed islands in the SCS by occupying some of the insular features; Vietnam occupies 21 features, the Philippines 9, China 7, Malaysia 5 and Taiwan 1 (Banlaoi 2012). Such occupations range from constructing different facilities to the stationing of military troops on sub-surface features. Some constructions held on disputed areas include

sea walls, typhoon shelters for fishermen, piers, landing docks, lighthouses, civilian amenities and barracks, helicopter landing pads and airstrips capable of handling large military transport planes, and even the provision of clean water supplies and telecommunications networks (Schofield & Storey 2009, pp. 1-42). The Philippines-China relation exemplifies how tensions emerged due to complex political situations surrounding the SCS territory.

Figure 1: Areas of Disputes in the South China Sea



3.1 The Philippines – China Island Disputes

According to Zuo (2005), the Spratly Islands is the most controversial island group in the SCS. It is an unusual event in the history of international relations to see ongoing disputes even to this date, and involves claimant states, mainly China, Taiwan, Malaysia, Vietnam, the Philippines and Brunei. The Spratly Islands is approximately 90,000 square miles of the southern SCS and comprised of a great quantity of small islands, islets, shoals, rocks and coral reef features (Prescott & Schofield 2001, pp.58-61). The multilateral disputes over the Spratly Islands roughly include 230 features of small islands, islets and coral reefs, although confusion is inevitable concerning the varied estimates on the number of islands making up the Spratly group (Fravel 2012). These land features were firstly inhabited in 1950s by Taiwan, whereas the last occupation happened in 1999 by Vietnam and Malaysia (Ibid, p.

34). China, including Taiwan and Vietnam lay claim to “most of these features” and insist their incontestable sovereign rights; Malaysia claims 12, the Philippines 53, while Brunei claims only 1 of the Spratly Islands (Ibid). Apart from Brunei, all of the claimants maintain a military airstrip or guard post on at least part of their occupied areas.

The claims of various countries over the Spratly Islands are based on two main reasons: an ancestral discovery and the conventional law of the sea under the UN charter. However, many issues over the Spratly Islands demonstrating competing maritime security interests have evolved throughout the years. These interests includes claims to territorial sovereignties over islands and coral reefs, claims to exclusive rights to develop maritime resources, free navigation on the high seas, and the consequences of ongoing military mobility and naval modernization in the region (Fravel 2012; Dutton 2011). Issues of overlapping boundaries and sovereignty over ocean areas of the Spratly Islands in the SCS inevitably suggest that the disputes could trigger military conflicts that could undermine the peace and security in the Pacific region.

The most proactive claimant in the region is China whose economic development became a determining factor on its external policies. The claim of the People’s Republic of China (PRC) is based on history, asserting that its discovery of the islands in the SCS can be traced back during the Han Dynasty in 2 B.C (Haberer cited in Advincula 2014, p. 57). Reflected by the “nine-dotted line/dash map”, PRC shows that it claims sovereignty to almost all of the SCS. The area included within the “nine-dashed line” overlaps with EEZ, islands and territorial waters claimed by the Philippines and so of other claimant states’ (Strategic Comments 2012, pp. 5-7). PRC’s “nine-dashed line” was drawn in 1946 and first published in 1947 by the Kuomintang government of the Republic of China to assert its SCS claims (Ibid). However, for some reasons China made changes and the term “nine-dashed line” was recently re-used in 2009 when PRC submitted a diplomatic note to the United Nations, suggesting that China has “indisputable sovereignty over the islands in the SCS and adjacent waters” (Zuo 2012).

By the end of the Cold War, China began occupying the Mischief Reef (*Meiji Jiao*) in 1995, a reef which is also claimed by Vietnam and the Philippines. Mischief Reef is within the Philippine-claimed 200-nautical mile EEZ and sits on the Philippine-claimed continental shelf. The Chinese occupation of the Mischief Reef drew international attention as “it marked the sea-change that is occurring in the geopolitical environment of the SCS” (Daojiong &

Valencia 2001, pp. 86-103). China's activities in the SCS appear "provocative" and "offensive" in the eyes of its less powerful neighbours. Given the fact that the last violent clash between China and another claimant state (Vietnam) happened in 1988, the Mischief Reef incident became significant, because China got engaged once again in a military confrontation with a member of the Association of South East Asian Nations (ASEAN) other than Vietnam (Daojiong & Valencia 2001, p.87).

The Chinese occupation of the Mischief Reef created strong resistance, especially from the Philippines who argued that China's activities are considerably the 'most serious external challenge to the Philippine sovereignty and national security' (Lim 1999, p.62). The helplessness of the Philippines during China's occupation of the Mischief Reef was very apparent. The absence of another power that could contain China intensifies the Philippines' vulnerability. However, China counter-argues that constructed structures were meant only for civilian purposes, particularly to serve as resting places for Chinese fishermen. But some evidences show that China carried on in expanding its structures in Mischief Reef using armed military supply ships in late October 1998 while ignoring more protests from the Philippines (Daojiong & Valencia, p.89).

Through the efforts of ASEAN in maintaining regional stability and enhancing mutual trust and cooperation between China and ASEAN member states, the Mischief Reef dispute between the Philippines and China calmed down with the signing of a "code of conduct" by both parties in 2002. This aimed to formalize their rejection of the use of force in resolving their conflict (Banlaoi 2012, p. 63). But because of its non-binding nature, the 2002 Code of Conduct failed to help resolve the problem. This resulted to the de-escalation of tensions, which served as major sources of maritime security dilemma among claimant states to this date. Manila continue to argue that as a party to UNCLOS, China is obliged to respect the rights of the Philippines to exercise qualified jurisdictions over features that fall within its 200-nautical mile EEZ. In addition, the Philippines contends that China's assertion in the SCS is illegitimate based on the international law.

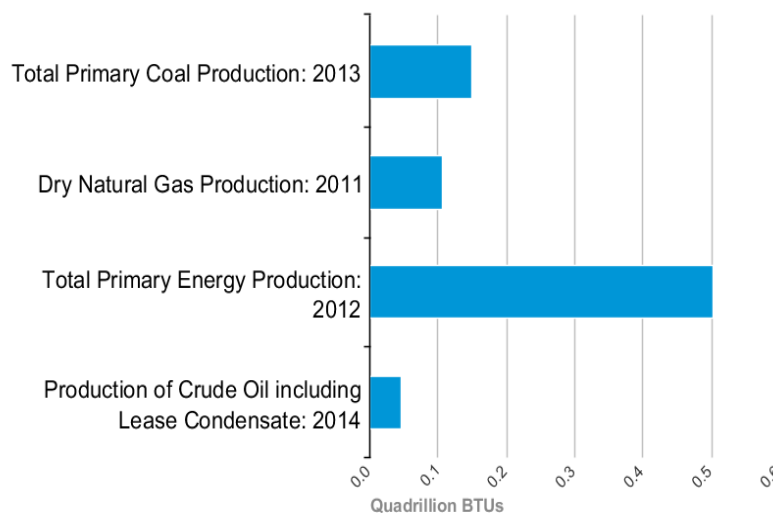
The Chinese occupation of the Mischief Reef marked the beginning of the Philippines' vocal criticisms about China's activities in the South China Sea. In response to what it perceived as an "intrusion" of China to its claimed territory, the Philippine government is moving forward with preparations for an enhanced US military presence on its soil reflected from its strong military alliance with the United States. The instability involving the Philippines could also

affect important, if not vital, security and economic interests of the US. The extent to which China pursues its interests in the SCS with the help of its strong economy and military force will always be constrained by various factors, particularly by the global role of the United States.

3.2 The Philippines' Strategic and Economic Interests in the South China Sea

Territorial disputes in the SCS have been exaggerated with the possession of important natural resources, which have influenced the Philippines to hold tightly onto its claims in the Spratly Islands. Amongst the other main concerns of the Philippines in the Spratly Islands is of economical advancement. The SCS is strategically significant for the Philippines because of the following reasons: First, the great oil reserves is a key to boost Philippine economy and reduce oil imports dependency; Second, great fishing capacity can address food insecurity and bloom into a million dollar industry and; Third, securing the freedom of navigation provides a gateway in achieving national development and security.

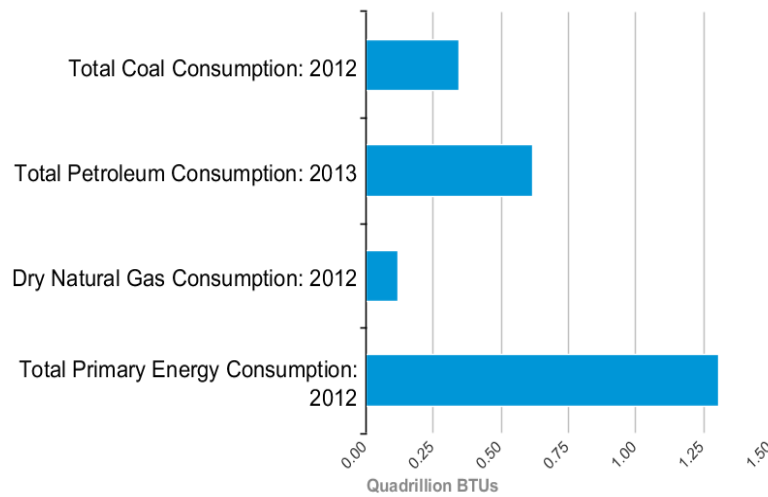
Figure 2: The Philippines' Total Petroleum and other Liquids Production per Calendar Year (2011-2014)



 Source: U.S. Energy Information Administration

Source: U.S. Energy Information Administration, 2014, viewed 9 September 2015, <http://www.eia.gov/beta/international/country.cfm?iso=PHL>

Figure 3: The Philippines' Total Petroleum and other Liquids Consumption per Calendar Year (2012-2013)



 Source: U.S. Energy Information Administration

Source: U.S. Energy Information Administration, 2014, viewed 9 September 2015, <http://www.eia.gov/beta/international/country.cfm?iso=PHL>

According to the US Energy Information Administration or EIA (2014), the Philippines produced a total oil production of 26,000 barrels per day (bbl/d), and consumed 299,000 bbl/d as of 2013 (see Figures 2 and 3). The country's efforts of boosting its own domestic oil and gas production is so limited that it needs to rely heavily on imported crude oil and petroleum products amounting to 270,000 bbl/d, with which thirty-five percent of its crude imports originally come from Saudi Arabia and Russia (Ibid 2014).

To date, the only operational oil platform in the Philippines is the Malampaya oil platform, which was discovered in 1992 and located 80 kilometers off the Coast of Palawan Island.¹ According to a report of the Oxford Business Group (2012), this power project is run by joint venture of operator Shell Philippines Exploration (45%), Chevron Malampaya (45%) and the state owned Philippine National Oil Company or PNOC (10%). Malampaya is only capable of supplying 40 percent of the total energy demands of the country's Luzon area for another decade, which means that finding and securing alternative sources of hydrocarbons is a top priority in order to satisfy its own domestic demands (Ibid 2012; Guzman 2015). The

¹ For further readings about 'Malampaya, Philippines', see Offshore Technology website.

Philippines is among the developing countries in Asia whose economy is growing rapidly, thus it contributes to the rapid increase of global consumption of energy and other resources.

There are reports about internationally coordinated undersea seismic surveys conducted in the SCS especially on disputed island groups like the Spratlys. For instance, Vietnam and China signed a production sharing contract with Mobil Corporation and partners seeking to explore the 1 million acre Block 22 in the SCS, 175 miles off Vietnam in 1994 and a South Korean based company also signed two contracts with China to conduct 20 seismic surveys and drill exploration wells in the Pearl River Mouth Basin in the SCS (Oil and Gas Journal 2015).

The EIA released a promising report in 2014 stating that “the SCS is believed to contain 11 billion barrels of oil and 190 trillion cubic feet of natural gas in proved and probable reserves” (EIA 2014; Agustin 2012). The Chinese National Offshore Oil Corporation (2013) on the other hand, released a report with an estimated amount of 125 billion barrels of oil and 500 trillion cubic feet of natural gas in undiscovered resources of the SCS, but US experts have otherwise viewed such figures as exaggerating (Lowther 2013). Meanwhile, other reports suggest that most of these resources are likely located along the Reed bank, in which China, Taiwan and the Philippines quest for sovereignty (Ibid).

With the discovery of large amounts of potential oil reserves under the sea territory it claims, the Philippines hopes to reduce its strong reliance on imported oil and to benefit significantly from future possible oil income, which is also viewed as a great means of poverty eradication and strengthening its economy. In 2014, the Philippines, consequently, begun to lay its plans of seeking bids from foreign investors to explore resources in areas northwest of Palawan Islands and Recto Bank (or internationally called Reed Bank), which is part of the disputed territories in Spratly Islands (The Guardian 2012). All the drillings and exploration works by the Philippines ignited a new contention with China over exploration rights and were suspended by the Philippine Department of Energy (DOE) on that same year (Tubadeza & Rivera 2015). The Philippines could possibly generate large oil production amounting up to 39,000 bbl/d by the year 2019, if there were no delays to any of their operations, making them as one of the major oil producers in Southeast Asia (Energy Information Administration 2014).

Adding to the potential oil and gas reserves, the SCS has considerable high diversity of marine organisms, including coral reefs, mangroves and sea grasses, and was also proved to be one of the world’s richest fishing grounds in the world (United Nations Environment

Programme 2015). Despite of incidents of widespread illegal, unreported and unregulated fishing around its area, the SCS is home to forty percent of the world's tuna, making fisheries bloom into a multibillion dollar industry (Hachigian 2015). Furthermore, Alan Dupont (cited in Billo and Jing 2015) notes that “around the Spratly waters alone, the fishing capacity is estimated at 7.5 tons per square kilometer per year, whereas claimant states produce over 8 million metric tons of live weight of marine fish, accounting to 10 percent of the world's total catch” (pp. 20-25). This is consequently fundamental to the food security of coastal populations. The Philippine fishing industry contributes an estimated 1.8 percent (or equivalent to 196 billion Philippine pesos) to the country's Gross Domestic Product (GDP) in 2012, and exports fish and fishery products amounting to 1.2 billion US dollars (USD) in 2013 (Food and Agriculture Organization 2015). Given the potential fishing capacity of its claimed territories, the Philippines could benefit greatly from the available resources.

Another aspect of the maritime security involves the freedom of navigation, notably the sea lines of communication that passes through the Taiwan Strait in the north and Malacca Strait in the south. According to Christopher Joyner (1999, pp. 53-108) and Robert Kaplan (2015) the SCS has a geostrategic role to play in linking Asia's seaborne trade with the rest of the world by being a major navigational area, in which the Strait of Malacca in particular, provides the shortest route linking the Indian Ocean with the Pacific Ocean and thus, most of the world's busiest shipping lanes pass through it (see Figure 1). There are an estimated number of 41,000 ships a year passing through the SCS, which is considered more than twice the number that pass through the Suez Canal, and nearly triple the total of ships passing through the Panama Canal (Ji 2001, pp.1-8). International markets, including oil and natural gas trade, depend on reliable and transport routes (Kupfer 2014). As of 2006, more than 70,000 vessels carrying 15 million barrels of oil passed through the Malacca Strait (Schofield & Storey 2009, p.7). The peace and order in the SCS, therefore affects not only the interests of claimant parties but also the interests of all sea-faring states, like the US who have expressed its concern about the deteriorating conflict in the Pacific region (Fravel 2014, pp. 2-3; Bateman 2015). The sea lines of communication (SLOC) in the SCS are critical to the energy security of global economies as they provide a crucial part of the route between key sources in the Middle East, Africa, Australia, as well as countries in East Asia (Schofield, C and Storey 2009, pp.7-8).

For an archipelagic state like the Philippines, the freedom of navigation in the SCS serves as a gateway to achieve national development and security when its navigational rights are

pursued (Banlaoi 2012). Aileen Baviera (cited in Banlaoi 2012, p. 27) notes that “with the sea lines of communication in the SCS, around 40,000 fishing vessels and 20,000 other commercial vessels navigate in Philippine waters”. But the Strait of Malacca and the SCS are more preferred by shippers and mariners for the reason that Philippine shipping straits and passages are too long to take, narrow and the waters serve as homes to rich fisheries and marine biological diversity that if used extensively could only endanger navigators and marine creatures (Ibid 2012; Caminos 2014, pp.201-204).

3.3 The Claims and Bases of the Philippines in the South China Sea

Almost all of the claimant countries felt compelled to laying out the basis of their respective territorial and jurisdictional claims over the SCS that will strengthen their stand in the midst of contentions. However, some of these bases are not exempted from international criticisms. The Philippines made claims of a historic nature of the Spratly Islands, while at the same time invoking the rules laid out in UNCLOS.

The Philippines is an archipelagic state with more than 7,000 islands, which can be found in Southeast Asia in the western Pacific Ocean between the Philippine Sea and the SCS. The Philippines mainly based its claims to the islands upon the discovery by a Filipino businessman and explorer Thomas Cloma in 1947 (Katchen 1977), who asserted his discovery as *terra nullius*, which means that any territory is not a subject to the sovereignty of any state, and can only be acquired through conquest or by voluntary abandonment or transferring a territory by a prior sovereignty (Katchen 1977, pp. 1179-1180). The Philippines argues that under the 1951 San Francisco Peace Treaty, Japan had renounced its sovereignty claims over the Spratlys without reassigning them to any state. Banlaoi (2012) notes that this, apparently, led to the occupation and claiming of Cloma (p. 23), to which he proclaimed the 53 geographical features in Spratly Islands as “Free territory of the Freedom land” or *Kalayaan Island Group* (KIG) on May 1956 (see Figure 4). This event was followed by the proclamation of former Philippine Minister of Foreign Affairs Carlos P. Garcia stating that KIG belongs to the Philippines due to its proximity to Palawan Island. When such proclamation was made public by the Philippine media, Merliza Makinao (cited in Banlaoi 2012, p.24), argues that Taiwan and China, along with other countries having interests in the islands protested to Philippine government and reportedly laid their respective claims and began sending naval contingent to patrol the Spratly Islands.

The Philippines formally laid claims in the SCS on June 11, 1978 by Presidential Decree (PD) 1596 of then President Ferdinand Marcos incorporating some islands in the Spratly archipelago into the Philippine territory and asserted that the Spratly Islands are dangerous and disputed (Katchen 1977; Bautista 2009; & Banlaoi 2012, p.24). Thereby, it could be consolidated only by occupation. The PD 1596 clearly indicates the position of the Philippines that despite of the interests of other claimants to some areas of the Spratlys, their bases could not predominate that of the Philippines on legal, historical and equitable grounds (Banlaoi 2012, p.24). Given such context, the Philippines is said to be basing its claims upon history, indispensable need, proximity, as well as effective occupation and control (Ibid).

Table 1: Features in the KIG Currently Occupied by Philippine Civilians and Military Personnel (Source: The Philippine Navy)

Philippine Name	International Designation	Chinese Designation
Lawak Island	Nanshan Island	<i>Mahuan Dao</i>
Kota Island	Loaita Island	<i>Nanyue Dao</i>
Likas Island	West York Island	<i>Xiyue Dao</i>
Pag-asa Island	Thitu Island	<i>Zhongye Dao</i>
Parola Island	Northeast Cay	<i>Beizi Dao</i>
Panata Island	Lankiam Cay	<i>Yangxin Shazhou</i>
Patag Island	Flat Island	<i>Feixin Dao</i>
Rizal Island	Commodore Reef	<i>Siling Jiao</i>
Ayungin Shoal	Second Thomas Shoal	<i>Ren'ai Ansha</i>

To date, the Philippines is claiming sovereignty over the Scarborough Shoal, also known as *Bajo de Masinloc*,² which is also claimed by China and Taiwan and a portion of the western section of the Spratly archipelago situated within the SCS belonging to KIG (see Table 1). *Bajo de Masinloc* is a large coral reef which lies off the coast of the Province of Zambales,

² The term was originally taken from an 1899 map of the Philippine islands, or “*Mapa General, Islas Filipinas*” by Observatorio de Manila, which means Shoal of Masinloc, or also locally known as *Panatag* Shoal.

whereas KIG was incorporated as a municipality of Palawan Province in 1978, to which nine of its islands and reefs currently host Philippine civilians and troops, and are believed to be both economically valuable and strategically important for purposes of Philippine national security (The University of the Philippines 2013, pp. 3-4).

Another basis of the Philippines' claim is the principle of geographic proximity and the principle of the 200 nautical mile EEZ embodied in UNCLOS, which has also gained widespread acceptance by almost all of the claimant countries.³ The EEZ refers to an area beyond and adjacent to the "territorial sea" of any state,⁴ where a state may exercise sovereign rights on the exploitation, exploration, conservation and managing of the natural resources. The Philippine claims over the KIG in the Spratly Islands falls within the EEZ of the Philippine archipelago". As Dato Mohammad Alwi (1991, p. 5) has argued "the proximity of the largest island of KIG, which is the *Pag-asa* Island, is approximately 280 nautical miles to Palawan Island, while *Bajo de Masinloc* or the Scarborough Shoal is only 124 nautical miles from the main archipelagos' coastline". These corresponds to the stand of the Philippines that the territory belongs to them and are relevant to its national defence and security (Catley 1997, pp.98-99).

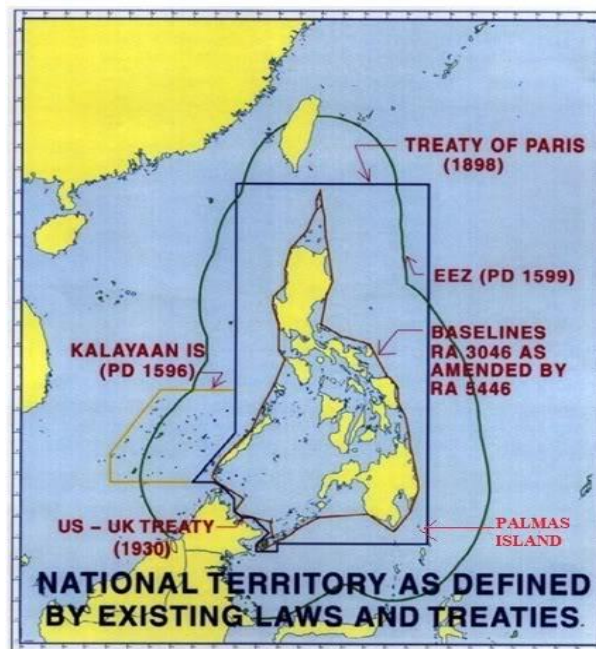
Another dimension on the basis of maritime claims of claimant countries is the sovereign rights over the "outer" or "extended" continental shelf areas extending beyond the 200 nautical miles limits of EEZ in the SCS. This right is governed by Article 76 of UNCLOS, which gives coastal States the opportunity to establish and secure the outer limits to their continental shelf rights by submitting information that comply with the technical requirements issued by the Commission on the Limits of the Continental Shelf (CLCS). The CLCS eventually examines all submitted information pertaining to the proposed outer limit of a particular state's continental shelf before making any recommendations pertaining to a "final and binding" outer continental shelf limits (UNCLOS Art. 76(8)). The Philippines consistently argues that the Spratly Islands is undisputedly within its extended continental shelf located between its established EEZ and 350 nautical miles from EEZ (the limit set forth in Art. 76(6) of UNCLOS). The Philippines claims that a series of treaties dating from

³ To date, 162 countries and the European Union have joined the Convention.

⁴ As part of the rights and obligations of States in UNCLOS maritime zones, a coastal state is entitled to exercise full sovereignty over a belt of sea adjacent to its coast as its "territorial sea", which may extend up to 12 miles from the coast.

1898, 1900 and 1930, which they coined as “Treaty Limits”⁵ defines the territorial borders and all the waters belonging to the territorial sea of the Philippines. Likewise, delimited areas are clearly marked, forming a polygon-shaped line around the main Philippine Archipelago (see Figure 4), indicating the boundary lines of the Philippine national territory (Bautista 2009, pp. 369-371).

Figure 4: Map of the Philippine National Territory as Defined by Existing Laws and Treaties



Source: The Journal of Comparative Asian Development

Within the polygon-shaped line, the Philippines is claiming sovereignty and jurisdiction over the islands and the territorial sea adjacent to the island located inside the polygon-shaped line, but not over the waters inside the line (United Nations General Assembly 1961). The Republic of the Philippines (2012) argues that apart from the islands lying within the Philippine Treaty Limits treaty lines, the Philippines also claims sovereignty over the Scarborough Shoal. On the other hand, the international community, including the United States who was a party to the 1898 Treaty, denied such historically inspired claims and

⁵ The “Treaty Limits” is established under the three international treaties, namely the 1898 Treaty of Paris that transferred sovereignty over the Philippine Archipelago from Spain to the United States, the 1900 Cession Treaty between the US and Spain, and the 1930 Convention between the US and Great Britain that delimits the boundary between North Borneo and the Philippine Archipelago.

justifications of the Philippines. In response to international objections, the Philippines vowed to align its domestic legislation with UNCLOS to the UN Secretary General, wherein such harmonization took place after more than two decades of domestic deliberation. The Philippine government faced a dilemma of establishing within the international community of states its rightful claims over the islands of Spratlys while exhausting its efforts to align its national and legal policy frameworks with those of the international law, such as UNCLOS. The Philippines hopes to portray an image that ensures the respect for international rules and norms, including the disputed areas.

Following the submissions to the CLCS, the Philippines enacted the new Philippine baselines law Republic Act 9522 on March 10, 2009 as part of the government's efforts to align the national and legal policy frameworks on the various maritime jurisdictional zones with UNCLOS (Roach & Smith 2012, pp. 211-213). The new Archipelagic Baselines Act indicates the rejection of the Philippine Treaty Limits claim and rather comply with the technical archipelagic baselines set out in UNCLOS.⁶ The submissions of new information of the Philippines and the other claimant states, like China, Vietnam and Malaysia further intensified the already complex and competing maritime claims. Yet, efforts on resolving overlapping claims and delimiting maritime boundaries lie solely to coastal states in question and not through or by the CLCS. Eventually, the Philippines' submission of the New Archipelagic Baselines Act had resulted to domestic political and constitutional problems as a petition in the Philippine Supreme Court was submitted by members of the Center for International Law, international law expert Merlin Magalona and other law students, aimed at seeking for the nullification of the new baselines law for violating the constitutional definition of the national territory of the Philippines (Bautista 2009; Dacanay 2011). Petitioners have argued that "the Baselines Law violated Sections 7, 8 and 16 of the Constitution, which mandates that the Philippine government should highly consider national sovereignty, territorial integrity, national interests and self-determination in its pursuit of an independent foreign policy..." (Raymundo 2011). At this point, the Philippines was challenged of securing a more definite and a well-constructed territorial boundaries that can be recognized internationally. The conflict between the provisions on the national territory by the 1987 Philippine Constitution and UNCLOS became a restriction to the development of

⁶ It is also believed that the new baseline Act was initiated by the former Philippine President Arroyo for the fear of being impeached after signing the *Joint Marine Seismic Undertaking* (JMSU), a tripartite agreement with China and Vietnam, in which critics have labeled as "unconstitutional" and a "swap" for concessional loans by China to the Philippines.

strategic foreign policy initiatives that would have advanced the country's national interests, particularly on issues related to the delimitation of Philippine national borders. Nevertheless, the Supreme Court later affirms the constitutionality of the new Baselines Laws in 2011 despite of the petition to nullify it. The Office of the Solicitor General (cited in Raymundo 2011) argues that "the revised Philippine baselines further widens the Philippine maritime areas", and the adherence to UNCLOS strengthens the Philippines' claims over territories in KIG and Scarborough Shoal (Ibid 2011; Republic of the Philippines Department of Foreign Affairs 2015).

Meanwhile, the provision enclosed in the 1982 UN Convention on the Law of the Sea that all littoral states can demand an EEZ of 200 nautical mile measure from the coastline practically increases tensions among claimant states, as such provision has caused a number of disputes over maritime delimitation. The terminology employed in the delimitation provisions of UNCLOS is controversial and vague. Therefore, it is inevitable that the interpretations of texts by parties may diverge from its original meaning. Moreover, by setting out a clear provision concerning what to demand by littoral states while undermining the significance of setting out mechanisms on how to settle a disputed EEZ only confirms the fragility of the Convention. The strong desire of every claimant states for the international recognition of their respective territories has further ignited previous conflicts over maritime claims.

Although the Philippines have exhausted all efforts to align its national legislations with the international regime, the confusion whether 'historical rights' over disputed territories is considerably valid or not, introduces more serious consequences. Such confusion has fueled the Philippine government's measure in seeking an arbitration at the Arbitral Tribunal of the Permanent Court of Arbitration against China's excessive maritime claims. This will be further discussed in the analysis.

4. Analysis

This chapter discusses as to how and why the Philippine economic and political relations with China are largely influenced both by the systemic and domestic level dynamics. This chapter focuses on the administrations of former President Gloria Macapagal-Arroyo (2001-2010) and President Benigno S. Aquino III (2010-2016), but key issues related to the SCS disputes are also analyzed, namely the Philippines, China and US triangle relationship, the construction of threat and uncertainty exacerbated by security dilemma and China's rise, and

the implication of China's Mischief Reef occupation to the revival of the US-Philippines alliance.

4.1 The Philippines, China and the United States Relations

This section presents the Philippines' relation with China and the US. It also discusses significant international and domestic political dynamics in the contemporary history of their triangle relationship that have influenced the foreign policy of the Philippines in the SCS. I argue that the US, China, Philippines triangle is an important strategic relationship in the contemporary international politics.

The rich and colorful relations between China and the Philippines can be traced back to the pre-colonial period (Lim 1999). Benito Lim (1999, pp. 3-4) and Aileen Baviera (2000) found that by the time the Spaniards arrived in the Philippines in the 16th century, regular trade and cultural contacts between Filipinos and Chinese were already established. Chinese settlers and their descendants in Manila played a significant role in the colonial economy for centuries. As Lim (1999) and Baviera (2000) noted, this continued even after the Philippines gained its independence from the United States in 1946 under the Treaty of Manila. The diplomatic relation between China and the Philippines was sealed by a Joint Communiqué on June 9, 1975 in Peking, China, which highlighted their strong commitments in maintaining good relations and peaceful co-existence whenever possible (Embassy of the People's Republic of China 2015). According to Lim (2000), the Philippines was one of the first Asian democratic countries to open diplomatic relations with a communist country, like China during the Marcos government. President Ferdinand Marcos initiated a new policy aimed to accelerate Philippine trade with other Asian and socialist countries in order to counter the impacts of the then deteriorating Philippines-US trade relations (Lim 1999, pp.6-13). Such initiatives of President Marcos strengthened the country's strong ties with China, particularly on areas of trade and migration that they both have had for centuries.

The Chinese immigrants, who roughly represent over one percent of the Philippines' current population, have predominantly take control almost sixty percent of the Philippine market (Pedrosa 2015). They continue to play an important role in the Philippines-China relations, especially when most of them became naturalized Filipinos after 1975 (Ibid). As China's economic influence began to expand throughout the Asian region, Thomas Lum (2012, pp. 21-22) has observed that "China also became the Philippines' major trading partner and an

important financier of infrastructure projects in the country with support coming from the Filipino and political business interests”. The results of a 1995 study by the Philippine-China Development Resource Center (cited in Hongfang 2002, pp. 35-61) concludes that most Philippine resident Chinese had invested into series of projects since 1975 amounting to 700 million USD, while such projects are operated by PRC nationals. The China-Philippines economic cooperation has been extended in other forms, like contracted projects, labor cooperation, air services and agricultural technology developments. And the major breakthrough is the opening of Metrobank Philippines in Shanghai and Bank of China in Manila in years 2001 and 2002 (Ibid, p. 43-46). In this way, the two governments are able to carry out direct transactions without necessarily transiting through a third party bank (Ibid). The political economy of the China-Philippines relations remained stable since then. The good economic relations between two states produce good political relations. As Katherine Barbieri (2002, pp. 22-27) observes “economically interdependent states are less likely to resort to the use of force when a conflict strikes, because the benefits of trade each country yields is reduced”. A disruption of trade resulted from a conflict can also lead to a reduction in a state’s welfare if for instance, benefits of trade impact other things, like domestic groups that must adjust to the resulting trade disputes (Ibid). Evidently, no incidents of violent clashes were ever recorded in the history of the Philippines-China relations despite of their strengthened occupations on disputed islands during earlier periods, as both parties have chosen to settle their disputes through diplomatic means and pursued developing mechanisms that strengthened their economic bilateral relations. “The Philippines took its own pursuit of détente with China to prioritize its own economic considerations”, as noted by Daojiong and Valencia (2001).

Meanwhile, the Philippines was the only US former colony in Asia (between 1896 and 1946), and has long been the US’ closest and strongest ally. Their post-war relation was bounded by the 1951 Mutual Defense Treaty (MDT), which commits both states to advancing their security and military ties against any forms of invasion or attacks hampering their national sovereignty. As Former Foreign Affairs Secretary Alberto Romulo (cited in Banlaoi 2012, p. 48) describes, “the US-Philippines alliance is bound by common interests that ensure the peace and security in the APR”. The hosting of the Philippines to the US’ largest military bases abroad for over four decades, namely the Clark Air Base in Pampanga and the Subic Naval Base in Zambales symbolizes their enduring relationship. However, the bases were

closed down in 1991 to accommodate domestic demonstrations and national pride.⁷ Within the framework of the treaty alliance, the Obama administration continues to support programs that aim to strengthen the capacity of the Philippine military defense in countering both internal and external threats. The most recent one is Obama's plan of giving two more ships and military aid to help Manila in its patrols and guarding of disputed islands in the SCS (Memoli & Cloud 2015).

After the 9/11 attack, former President Arroyo declared her support to Washington's global war on terror. Her government welcomed American troops in the Philippines while allowing them to use facilities at the former US military bases and conduct joint military trainings with the Philippine Armed Forces. Meanwhile, De Castro (2010, pp. 701-704) explains that the Philippine government's eagerness to finally put an end to the lifelong security challenge in Mindanao, perpetrated by Muslim insurgents who were also suspected to have connections with global terror groups. Having this in mind, the Arroyo government aligned its strategic national interests with those of the US without necessarily damaging its relations with China. As De Castro (2010, p. 708) has explained, "US war on terror and China's emergence as an economic and political power in the 21st century can bring favourable developments to the Philippines". De Castro explains that "the millions of dollars coming from the American economic and military aid in support for the global war on terror campaign have contributed to the Philippine government's efforts in curbing the problem with insurgencies, while the economic rise of China can open doors for the Philippines to improve its bilateral relations, thus bringing high economic income on their part".

On the part of the Philippines, the Arroyo government is faced with the immediate threat posed by the rise of terrorism. The Arroyo government's response to such external threat derives from a selection of a grand strategy based on the combination of how rapidly a balance needs to be constructed and what are the constraints in the realization of such strategy. As explained by Mark Brawley (2010), "when systemic pressures dominates and a state detect that threat, its response is dependent to the constraints and opportunities it faces both in the system and domestic levels". Timing is also critical in this situation. Therefore, instead of maximizing its national power well to prepare for a threat that might grow in a

⁷During the unrestrained periods of the US-Philippines Military Base Agreement, the prostitution in the Philippines increased tremendously, and US military troops contributed to the economic boom of sex trade industry including sex trafficking of women". This social phenomenon, in conjunction with the threat that the bases pose to Philippine national security and sovereignty, became an increasingly persuasive argument used by the anti-bases forces.

decade's time, the Arroyo government take advantage of both opportunities, which includes the improvement of its bilateral relations with China and to avail the military assistance from the US. In assessing a state's foreign policy, it is important to look at how state leaders rank their national interests under a given time and resources. As Robert Ark (2003, pp. 45-47) observe "security in terms of protecting the state's homeland from attack, invasion conquest and destruction, is the one vital interest of a state". And since Muslim insurgencies in Mindanao Island are still prevalent then Arroyo's support for the global war on terror campaign is more important. On the other hand, what is interesting about US troops is the extent to which it is not shared by the average Filipino citizens. Members of nationalist forces continue to oppose defense and security programmes with the United States that could lead to the reopening of former US military bases in the country, as well as "demanding the government to create an 'independent foreign policy' that will not bow down to the influence of a formidable US" (Dangla 2015). China, on the other hand, has some anxieties over the US' pivot to Asia, but its improved relations with the Philippines are still important.

While the Philippines is taking advantage of the military support it receives from the US, an unfortunate international event in 2004 has led to the souring of the US-Philippines relations. It is evident that the Philippine security relations with the US largely influence the conduct of its external affairs. A number of US-led wars have been supported by the Philippines, including the Korean War, Vietnam War and Iraq wars in 1991 and 2003, wherein the Philippines even sent a peacekeeping contingent of 51 personnel to show support to the US-led coalition in Iraq (Advincula 2015, p. 55; Tyner 2005, pp. 103-104). In 2014, Esmaguera reports that "the Philippines also offered to help the US on its ongoing battle with the Islamic State of Iraq and Syria (ISIS) militants that have reportedly been recruiting members from Southeast Asia". The involvement of the Philippines in the US-led coalition in Iraq, however, resulted in a crisis in 2004 as the Arroyo government pulled out its troops in exchange for the freedom of an Overseas Filipino Worker (OFW) who was held hostage by the Iraqi militants (Glanz 2004). The Philippines suffered international criticisms, particularly from the US who had expressed dismayed over Manila's action. As Banlaoi (2012) narrated, "the US considered the Philippines' action as a "betrayal" to their joint commitments to the security alliance and the "war on terror" (p.50). Such incident resulted in the cold treatment of the US towards the Philippines despite of the latter's attempts of seeking diplomatic talks to convince the superpower that their reaction was brought by domestic political considerations,

in which consequences could have been worst and threatened the survival of the government in power in case the kidnapped migrant worker's life was compromised (Ibid).

Why this domestic political consideration so important and how did it manage to influence the Philippine government to compromise its commitment to its treaty ally during the US-led war in Iraq? As of 2013, there are more than ten million Filipino migrants and workers or OFWs spread out throughout the globe (Philippine Overseas Employment Administration, 2013). OFW remittances are credited for the Philippines' economic growth, thus protecting their rights and welfare is part of the pillars of the Philippine foreign policy. In the height of domestic deliberations concerning which strategy to select between giving pardon to the life of a Filipino migrant or honoring the US-Philippines alliance, the government is faced with great domestic constraints from the masses, mostly from OFWs and other interest groups. The immense domestic pressure led Arroyo to take a very challenging decision. Norrin Ripsman (cited in Lobell et al 2009) notes that domestic political actors can largely influence the nature of the legislature's influence on policy-making. If for instance, President Arroyo has chosen to support the US' interests, the government's rhetoric will inevitably influence the perception of the Filipino public, especially the OFW groups. The most likely dominant perception is that the government is incapable of protecting the interests of its citizens or any member of a powerful group that contributes largely to the country's economy. Therefore, President Arroyo knew that to compromise an OFW's life means endangering the survival of her own government. Ripsman explains that "a national leader whose power is largely vulnerable to falling down resorts to take riskier decisions in order to secure itself domestically".

The Arroyo government has managed to secure itself domestically, but has cost its relation with the US. What is interesting here is that both China and the US has strategic roles to play in the survival of the Philippines. However, the competitive relationship between China and the US, inevitably affects the Philippines' affairs with either of them. This triangle is strategically important but also a complex one. Following the souring of US-Philippines relations, China takes advantage of such event to improve its bilateral relations with the Philippines and to advance its stance in the SCS. In other words, this incident apparently becomes another power vacuum that China fills within the US-Philippines relations during the Arroyo administration.

4.2 A Security Dilemma: China's Rise and the Construction of Threat and Uncertainty

One of the most significant events in the history of international relations in the 21st century is the rise of China. This development continues to gain international attention as both scholars and the public mainly focus on the profound implications of and policy responses to China's rise. The economy of China has been growing at an impressive pace since the early 1980s, to the extent where its high GDP growth made it to pass Japan to become the second largest economy. Experts believe that China will continue to expand at a similar rate over the next few decades. As Martin Feldkircher and Iikka Korhonen (2014, pp.61-62) observed "the miraculous growth of Chinese economy has been fuelled by buoyant investments and likewise, with strong growth in exports". In the event of the 2008 global financial crisis, a substantial reduction in foreign demands for Chinese exports made its historic downfall, but China maintained to keep its healthy growth rates (Li et. al 2011). It was also evident that a steady outpouring of China's trade integration with the world economy has been accompanying its economic growth (Feldkircher & Korhonen 2014). David Barboza (2010) reports that a study on China's global economic share illustrated that "China's trade integration in Asia, especially with Japan bounced from 10 percent in 1995 to 25 percent in 2011, whereas countries like the US, India, Brazil and Russia rose from below 5 percent to around 10 percent and an approximately 5 percent growth with other European countries". Furthermore, as Elisabeth Economy (2005) noted "China is a destination of choice for Foreign Direct Investment (FDI) and trade by its neighbours in the APR, while China's ODA is flowing freely to countries, such as Laos, Burma, Cambodia and the Philippines". According to the Asian Development Bank and the World Bank (cited in Landingin 2010, pp. 87-94), China is one of the Philippines' biggest sources of ODA. These suggest that with China's economic success, it can also pursue greater roles in the region or even global.

The economic development of China appears to be changing the design of the international system. China now possesses all the means to assert its foreign and security policy within Southeast Asia where its growing economic and military might are strongly felt. Following his idea of the "Chinese dream", which realizes the nation's great rejuvenation, President Xi Jinping had announced China's biggest rise in military spending (Kuhn 2014). As Michael Martina and Greg Torode reported in 2014, the Chinese government had increased its defense budget by 12.2 percent to 808.23 billion yuan or equivalent to 131.57 billion USD, making this "double digit" hikes in the defense budget next to that of the US. Earlier this year, China announced that a 10 percent increase on their defense budget, roughly translate to 890 billion

yuan or about 145 billion USD, should be expected (Pike 2015). “The increased defense budget also constitutes the advancement of fleet of fighter jets, ships, a defence missile system, the making of China’s sole aircraft carrier combat, as well as the construction of an underground submarine base on Hainan Island located in the SCS” (BBC News 2011).

Having mentioned the remarkable development of China’s economic power followed by its military modernization, I argue that the impressive increase in China’s defense budget brought by its tremendous economic growth generates anxiety and concern to the Philippines’ own national security. Given the fact that nobody in the region is growing their defense budget at similar rates of China’s, fear and suspicion grow. The “double-digit” growth attracts international attention, merely causing threat to China’s rivals in the SCS. However, China insists that the consistent increased military spending is in accordance to their long-term modernization plans. As written in the 2015 defense white paper entitled, *China’s Military Strategy*, the Ministry of National Defense of the PRC provides some insights on the strategic goals of the People’s Liberation Army by insisting that:

“China’s national strategic goal is to complete the building of a moderately prosperous society in all respects by 2021 when the Communist Party of China celebrates its centenary... It is a Chinese dream of achieving the great rejuvenation of the Chinese nation. The Chinese dream is to make the country strong. China’s armed forces take their dream of making the military strong as part of the Chinese Dream. Without a strong military, a country can neither be safe nor strong... to realize China’s national strategic goal and implement the holistic view of national security, new requirements have been raised for innovative development of China’s military strategy... and in response to the new requirement of safeguarding national security and development interests, China’s armed forces will work harder to create favorable strategic posture... and provide a solid security guarantee for the country’s peaceful development.”

Contrary to the Western and other claimant states’ thinking that China’s military modernization is a reflection of its strong desire of becoming the next great power in Asian region, China argues that it only hopes to impose development on areas where it has been weak. China realizes the significance of building a strong military force that will help to defend and achieve possible national strategic goals necessary in securing the national security and development interests of its nation. As what Robert Art (2003) had explained, “the military power of a state is important in advancing the vital and highly important

interests of the state". China, at some point, lacked resources to improve its military muscles and when its economy began to stabilize, it invests more in building the military forces. It is typical for any state to find a balance between its strengths and weaknesses depending on the resources available in meeting certain ends. This is what Waltz (1979) has referred to as "internal balancing", which means that states' internal efforts, such as increasing economic or military capability, also increases their chances of survival in an uncertain world".

China may have no real intention of going into war, or to efficiently and effectively employ its military power to force other states to do what that state does not do or does not want to do under normal conditions. Rather, it is the anarchical structure to which states operate, as explained by Mearsheimer (2014), which pushes China to ensure its own survival. Mearsheimer reminds states not to depend to other states or institutions their own survival, and China, just like most realist states in Asia is aware of this dilemma. China is aware that in the international system, security is an expensive commodity and there is no guarantee that any state can avoid war in the future. Thus, China has to invest in building up its armed forces, which can help in securing its nation's survival.

But aside from making its national strategic goal of modernizing and increasing its military power into a reality, China has also foreign policy objectives in the SCS that needed to be pursued. Remember, China's strategic interests in the SCS are similar to that of the Philippines; that is to take advantage of the economic benefits that the rich oil area of the region may contribute to its own development. The increasing demand of finding alternative resources that will help boost one's economy results to the intensification of power competition between claimant states. However, by looking at the disparity of China on areas of economy, military, political and diplomatic influence compared to its rivals in the SCS conflict, China is more likely to overpower them. China's greatest advances in the region mainly have come in the economic realm. Nevertheless, as Morgenthau (1948) has explained, "having great material capability in comparison to others does not necessarily prevail in a conflict since there are other non-material factors that may alter the conflict in the favour of the weak counterpart". Among these factors may include strategy, ideology, political will, or psychological elements, such as national will and morale, national character, leadership and the degree of national integration (Ibid).

The question in mind is: given China's real intention is of defensive purposes, has it managed to secure a balance in pursuing all of its foreign policy objectives in the SCS while attempting

to realize its Chinese dream? If so, why China's neighbours are being haunted by the shadow of fear and uncertainty? I argue that to certain extent, China has failed to secure a balance in pursuing its foreign policy objectives in the SCS and ensuring its neighbours, as well as the US who is known to be a major provider of security guarantee for other states, that they have no intention of causing or de-escalating tensions in the region. This absence of balance has exacerbated the security dilemma in the region. Manifestly, China's implemented policies were originally designed to guarantee protection in case of future possible harm, but the tragic implication was that this has sent a wrong signal to other forces in the region. As Baviera (2001, p. 80) observed that "with China's economic stability and confidence that support its increasing military might, China is now capable of reclaiming territories that were perceived to have been lost during its weaker periods in its history". This observation can be related to China's occupation of the Mischief Reef and the military standoff that happened in Scarborough Shoal between China and the Philippines (Aljazeera 2012). Cheng and Paladini (2014) describe that "China has resorted to "assertive" actions to strengthen its territorial and maritime claims in order to satisfy the domestic nationalist sentiments" (p. 195). China's current constructions of artificial islands, light houses, military shelters and its strong presence of military vessels on and near the disputed islands create a signal to the Philippines and other claimant states, as well as the US that China intends to have long-term plans in the SCS. The US has adopted an offshore balancing strategy in order to maintain its stand in the Pacific region. In addition, China's increasing seizure of Vietnam fishing boats and detention of their fishermen in 2009, harassing of the US navy surveillance ship operating in the SCS on that same year and intimidating a Philippine oil exploration ship near the Spratlys in 2011, were incidents that have marked in the minds of other regional actors, making them suggest that China has other intentions apart from what it claims as "peaceful development" (Ibid). Again, we recall that the theory of neoclassical realism introduces the importance of key international events is constructing patterns that guides the perceptions of states when making decisions.

By looking at the lack of coherence between China's "peaceful" rise and its assertions towards less powerful claimant states in the SCS, China's assertions exemplify the maximization of the power gap between itself and its neighbours. Power gap maximization is a tactic of great power states, according to the realist account, when states usually want to obtain additional power that can best guarantee their survival in the international arena. Mearsheimer (2006, pp. 160-162), whose works involved the prediction of China's future as

the world's next superpower concludes that "China is likely to dominate Asia the way the US have dominated the Western Hemisphere". He added that just like a typical great power state whose works remain undone unless it achieves regional hegemony, China's rise will remain unpeaceful as the current US hegemon will do what it takes to tame the aspiring one.

The accessibility to credible information about states' real intentions in their dealings with other states is very limited to the extent that policies originally built to ensure their own protection ended in the diminishing of other's security, thus considered as a tragedy. The Philippines has much weaker economy and poorly equipped military compared to China. And in the height of China-Philippines territorial and maritime tensions in the SCS, the Philippines can hardly be expected to put up an effective defense of its claims in the Spratlys, especially when China decides to use force. The closing down of the US military bases in the Philippines in 1991 had left the Philippine government the greatest responsibility of ensuring its own security and defense.

4.3 Mischief Reef Incident Helped Revived US-Philippines Alliance

The assertive behaviour of China in the SCS since the 1990s has left a negative legacy in the Sino-Philippines relations. The vulnerability of the Philippines to the sudden external threat posed by China has resulted in complex domestic deliberations among key decision-makers as to how the Philippines should behave towards the perceived threat. In the events of territorial and maritime conflict in the SCS, the Philippines is confronted by the apparent probability of direct military confrontation with China following the Mischief Reef incident. As Richard Fisher (1999) has observed, "the lack of defense cooperation between the Philippines and the US created a power vacuum that China has been exploiting in recent years". What this power vacuum means is that the departure of the US forces from the Philippine bases since 1992 also resulted in the suspension of the US-Philippines military cooperation, and China has taken such opportunity to advance its interests in the SCS. As Mearsheimer (2006) has explained, an aspiring hegemon like China will do what it takes to dominate a particular region, especially when the dominant power is absent. And because the US, who maintained regional order in Asia for decades, has pulled out its troops from the Philippines, Mearsheimer states that China saw that window of opportunity to use its military might to disturb the structure.

China's air and naval forces are way superior to those of the Philippines. China's ongoing military modernization is a critical element that drives its approach and gives greater flexibility to enforce its claims in the SCS. The 1987 Philippine Constitution pronounces the Armed Forces to protect the sovereignty of the state and the integrity of the national territory, but since the Armed Forces of the Philippines is amongst the weakest and outdated in the world, the National Security Council has to take the lead in formulating policies, relating to or with implications on the national security. The National Security Council of the Philippines is composed of the President, Vice-President, Secretary of Foreign Affairs, the Executive Secretary and the Secretary of mostly significant government agencies, such as of National Defense, Justice, and Local Government (Philippine Constitution 1987). The complex domestic deliberations amongst Philippine officials resulted in an important realization about the strategic role of the US as a status quo power. The Philippines realizes that under the more assertive stance of China over the Philippines in the SCS, the role of the US in maintaining the balance of power between China and the Philippines is crucial.

For the Philippines, the US should intervene in the dispute as reflected in the Articles IV and V of their 1951 MDT. Article IV of the MDT says that "an armed attack on either the US or the Philippines is also dangerous to the security of the other party, whereas Article V says that "an armed attack on either of the Parties includes an armed attack on the metropolitan territory of either of the Parties, or on the island territories under its jurisdiction..." But the disagreement between the Philippines and the US about the interpretation of the aforementioned articles of MDT became the ultimate constraint for the Philippines' strategy policy against China. As Stanley Meyer (1996) described, "for Washington, Spratly Islands are not part of the Philippines' metropolitan territory and at any rate, claims on these islands were yet established before MDT was signed". Therefore, this lack of agreement in the interpretation of the provision under MDT has served as a constraint in the security policy of the Philippines. Meanwhile, for China, such disagreement is favourable because the willingness and the probability that the US will go against China's own policies in the APR is low or limited. Neoclassical realism states that the level of willingness to support a strategy determines the kind of policy to be pursued and the level of its impacts. The US, however, maintained that its treaty obligations will be honoured without speculating any specific response (Ibid).

Philippine officials began negotiating an agreement that would establish the legal rights of US forces and ships to operate on the Philippine territory. As Banlaoi (2012) observed, "the

Philippines can no longer host foreign military bases after the US as it violates the Philippine Constitution”. Having the greatest constraints on the Philippine Armed Forces and the disagreements in the interpretations of the Articles IV and V of the MDT by both Parties, Philippine officials have no choice but to take advantage of its alliance with the United States through intelligence sharing, US advices, military trainings and military material aid. In this manner, the US comeback does not necessarily outweigh the authority of Philippine laws, but its commitments to the MDT are met. As Fisher (1999) has observed, “among those who have embraced the comeback of US forces in the Philippines was the former President Joseph Ejercito Estrada (1998-2001), who also voted to close down the US bases when he was still a Senator in 1992”. Interestingly, the Philippine public had also shown its support for the comeback of more US troops in the country, though somewhat less anti-US forces remained strongly nationalistic (Social Weather Station 1999). The perception of the public was largely influenced by the growing threat perpetuated by China’s aggression and presence in southern Spratlys, adjacent to the mainland Philippines, but it did not necessarily mean that Filipinos were less critical of the United States. Neoclassical realism explains that high level of external threats creates a coalition among domestic forces that inevitably counter that threat. Eventually, the VFA between the Philippines and the US was ratified by the Philippine Senate in 1999 despite of recurring cycles of domestic protests against less anti-US forces. In addition, this was followed with a large scale US-Philippine military annual exercise called *Balikatan* (Shoulder-to-Shoulder) that was arranged in February 2000, aimed at stimulating the security relations of the two countries in the midst of increasing “China threat” (Glaser 2012).

In the context of the VFA, the Philippines has transformed a military agreement into a deterrence against China’s aggression in the SCS by inviting more US troops in the country. Indeed, VFA is a military exercises agreement, but the way China perceives such agreement determined the nature of its behaviour towards the Philippines. Neoclassical realism explains that perceptions matter in the assessment of threats and opportunities, thus affects the kind of policies to pursue externally. The calculated deterrence of the Philippines, which is to cause alarm on China paid off when China became relaxed with its approaches towards the Philippines after VFA was ratified. As William Tow (cited in De Castro 2007, p. 2) has observed, “from 1996-2000, Beijing had been very careful in insisting its dominance in Southeast Asia while Chinese leaders tried to defuse the tension brought by the Mischief Reef with the Philippine government to the best they could”. China understood that they have no

match compared to the US in terms of military power in case tensions between China and the Philippines intensifies. The uncertainty in the US' level of support towards the Philippines under MDT restricts China's policies in the SCS, because the US refused to speculate specifically which policies to impose. It is obvious that without the US, China would have taken the Philippines for granted, but the US-Philippines alliance has transformed into a hedge against the changes in the regional strategic equation generated by the growing economic and political power of China. Despite of Washington's statement that the US is not taking any side to the conflict, its national interest remains to focus on maintaining the freedom of navigation in the Asia Pacific region. China, however, perceives US' involvement as containment to its hegemonic rise in Asia. Again, a tragedy has emerged brought by fear and suspicions exacerbated by conflicting national interests of states. These trends have gradually engendered a crisis to Sino-Philippines relations, but revived an old Philippine-US alliance (De Castro 2009).

4.4 The Arroyo Administration (2001-2010): Playing the "China Card"

The Philippine foreign policy towards China has shifted into a different direction after former President Gloria Macapagal-Arroyo decided to set aside the disputes with China and endorse the significant role China plays in the Philippine economy and security after her state visit in Beijing in 2004 (Vaughn & Morisson 2006, pp. 25-26). This was followed by the signing of a Memorandum of Understanding on defense cooperation by the Philippine Defense Secretary Avelino Cruz and his Chinese counterpart in Beijing, China (De Castro 2009, p. 412). As De Castro (2009) observes, "the former Arroyo administration was playing the "China card" in an attempt to gain diplomatic leverage against Washington following the pulling out of Filipino troops in Iraq that had upset the US in that same year". Likewise, he adds that "Beijing, on one hand, was very much concerned by the revitalization of US-Philippine alliance that it adopted co-optive measures to drive a wedge between the two countries".

Structural realists, like Mearsheimer (2014) suggest that "various strategies that states use to shift the balance of power in their favour or to prevent other states from shifting it against them are critical". He added that war is the main strategy states employ to acquire relative power, but for status quo states it is less likely, because the costs may outweigh the benefits. Therefore, driven by its strong desire of preventing the US from strategically "boxing in" China with its improved presence in Southeast Asia (Ibid, p. 409), Beijing tried "imitating",

but in an innovative manner, the role that the US plays both in its relations with the Philippines and other Southeast Asian countries. As Mearsheimer (2014) noted, “imitation of the successful practices of rival great powers is an important consequence of security competition”. China perceives that the real intention of the US’ pivot to Asia is not only to counter terrorism, but also to contain China’s rise and that the US is using its Asian allies, such as the Philippines to advance its interests in the region. China suspects that Washington is inserting itself too much into territorial issues when Beijing doesn’t see any threat that had undermined the freedom of navigation in the Asia Pacific Region (Glaser 2012, p. 86).

As Phillip Saunders (2006) has observed, “China become more receptive in abiding regional norms of behaviour with ASEAN member states, provided numerous incentives in forms of trade concession investments and large Official Development Assistance (ODA) in Southeast Asia, specifically to the Philippines”. The improved economic ties of the Philippines with China ranked the latter as the third largest trading partner of the Philippines, with bilateral trade returns of 9.4 billion USD in 2003 to 23.4 billion USD in 2006 and even increased to a record high of 30.62 billion USD in 2007 (De Castro 2010, p.706; Ravindran 2012, p. 110). The Philippine agricultural and mining sectors have benefited greatly from Beijing’s investment of 8.75 million USD for the construction of the Philippines-China Center for Agricultural Technology in the province of Nueva Ecija and the Philippine-Fuhua Sterling Agricultural Technology Development Corporation (De Castro 2007, pp. 77-116). These projects were in addition to China’s biggest investments in the Philippines, the 450 million USD worth of rehabilitation project of the North Luzon Railway system and other construction projects throughout the country, which amounted to 500 million USD (Ibid, pp. 93-94). As Roel Landingin (2010) explains, “the North Luzon railway project (or Northrail), which aims to ferry over 150,000 passengers daily to and from Manila was China’s biggest state loan in the Philippines, making China as the fourth biggest development lender of the country after Japan”. From 60 million USD in 2003, Chinese concessional lending to the Philippines rose to 460 million USD by 2004 and went doubled to 1.1 billion USD as of 2007 (Landingin 2010, p.90). Moreover, China also engages the Philippines in several regional economic forums, namely the Asia-Pacific Economic Cooperation (APEC), ASEAN-Plus-Three (APT), Shanghai Cooperation Organization (SCO), and others (De Castro 2007, p. 96). The massive influx of economic assistance, incentives and resources by China into the Philippines have exceeded beyond what America can offer. The Arroyo administration enjoys great advantages of “playing around” with China in the height of the spread of terrorism

while still pursuing diplomatic negotiations with the US surrounding the souring of their bilateral relations brought by the pulling out of troop's issue. These incidents manifest what neoclassical realism talks about the ranking of national interests under a given domestic constraints. As Ian Storey (cited in De Castro, 2007) observe, "China views the US-Philippines revived military alliance with scepticism simply because China had plans of countering the increased US influence over the Philippines by using its strengthened economic profile and stepping up security cooperation". China has participated in multilateral security dialogues at both official and unofficial levels even to the extent of establishing bilateral security dialogues with most major countries in Asia" (Frost et al 2003, pp.4-5). The People's Liberation Army provided assistance that helped improved its bilateral relations with the Armed Forces of the Philippines. These range from several military and intelligence exchanges, consultation mechanisms, enhanced cooperation against terrorism and internal security threats, joint military exercises to the provision of 2.5 million USD worth of military equipments and supplies (De Castro 2009, pp. 87-91).

Clearly, it can be observed that there has been a tremendous improvement in the bilateral relations between the Philippines and China since 2005, but China's attempts of weaning the Philippines from its long-time ally had its own limitations. The perception about the strategic contribution of the US to the Philippines' national security more than anybody else has dominated the minds of Philippine decision-makers. This resulted in pursuing constant diplomatic talks between Washington and Manila despite of the improved relations with Beijing. As De Castro (2010, pp. 358-359) has explained, "the Philippines applies an approach of "equi-balancing" in the face of an emergent China regardless of their respective intensifying economic ties". Equi-balancing is not similar to the traditional offense-defense balance of power. Instead, "it involves a small or weak power state accepting, facilitating and pitting the big powers against each other in the course of any international event until they eventually fight each other" (Ibid). Shen (cited in De Castro 2007, p. 107) concludes that "the more China deepens and broadens its relations with the Philippines, the more the latter feels the urge of establishing a stronger and closer relation with outside powers, like the US and perhaps with Japan who also have territorial disputes with China". This equi-balancing approach is also reflected in the Philippine foreign and security policy after 9/11, where the Philippine government based its policies on what it coined as "eight realities in the global and regional environment", highlighting the determining influence of three regional powers,

namely China, Japan and US in the security situation and economic evolution of East Asia (Department of Foreign Affairs).

In the given scenario, it is clear that it is hard for the Philippines to downplay its own economic and security relations with other regional powers, particularly with the US despite of the breakthroughs in its relations with China. Furthermore, uncertainty and suspicions about China's real interests has never left, causing the Philippines to seek for a more feasible approach that weighs its means and ends. Meaning, as the Philippines seeks diplomatic dialogue with the US not only because they are uncertain about China's "friendliness" as expressed in the influx of trade, investments and security assistance, but they see the long-term implications of being an American ally. Such strategy of the Philippines has constrained, to some extent, Beijing's attempts of spoiling the regional influence and superiority of the US, both politically and militarily, even if China advances in economically.

If an economically powerful China did not manage to totally disconnect the Philippines' links with a militarily powerful US or perhaps Japan, the Philippines will also be a big challenge for other great powers. Interestingly, Jenny Heyward-Jones (2013) and Liselotte Odgaard (2003) clarify that "what fuels the "opportunistic" role of the Philippines in its triangle relations with China and US are due to first, the current dynamics in the US-China relations, in which both great powers view each other as "strategic competitors" in the Asia Pacific Region" and secondly, the Philippines' status as America's long-time ally". The SCS conflict tests the loyalty and commitments of the US to its strategic allies in Asia, especially the Philippines. The mutual distrust between China and US is so pervasive and evident at many levels and this is significant for the Philippines in playing with a great power "card". Nevertheless, the Philippines should always remind itself of the great danger in playing around with great powers in the international system, as Mearsheimer noted, "this might jeopardize its own security".

The Arroyo government entered into an agreement with China in 2004 to conduct joint explorations for oil and gas in contested waters. This agreement was called the Joint Marine Seismic Undertaking (JMSU), which viewed by the two states as part of their efforts in enhancing their bilateral relations. They were later joined by Vietnam in 2005 and they all regarded the JMSU as a "significant step in the implementation of the 2002 Declaration of the Conduct of Parties in the SCS" (Banlaoi 2012, p.22). However, what former President Arroyo thought as a "breakthrough" for the peace and security between China and the

Philippines in the SCS, ended in a great controversy because of strong corruption allegations towards Arroyo and China. As Barry Wain's (2008) article had exposed, "President Arroyo entered into a hidden and unequal agreement with China to which lawmakers in Manila linked with a signing of the 329 million USD contract with Zhong Xing Telecommunication Equipment Company Limited or ZTE, one of China's biggest telecommunication company".

Philippine Representative Roilo Golez (cited in GMA News, 2008) finds out that "JMSU agreement lacks transparency, compromises the Philippines' national and energy security, and above all, it is illegal and unconstitutional as it fails to pass the approval of the Philippine Congress, including the basic rules that call for competitive biddings for government procurement contracts". This controversy exacerbated the allegation that President Arroyo sold the Philippines' territory to China in exchange of large ODA, which the Malacañang Palace also denied. Domestically, Filipinos vocal critiques coming from powerful sources, such as the public opinion, civil society, academia and more importantly the media, have joined forces to criticize the ZTE contract, the role of China in corruption scandals, and the Arroyo government and supporters (Bendell et al. cited in Lifeworth Review 2009). As neoclassical realism has explained, "it is difficult to neglect the influence of these domestic political forces on foreign policy making, as they constitute a powerful force that is contained in the state's international action". These domestic political forces insert pressure on President Arroyo to explain the anomalies in the government's tie with China. As a response, the government (cited in Banlaoi, 2012) has explained that "the JMSU was necessary to manage the Philippines' conflict with China in the SCS in a non-confrontational manner". Here, the Arroyo government perceives that going into a confrontational battle with China it would only generate more expenses for the Philippine government, especially that the Armed Forces is too weak to match China's and the US-Philippines relations is still under negotiation after the Iraq incident. Therefore, it is strategic for the Philippines to settle its disputes with China through an improved diplomatic bilateral relation. However, the downside part is that JMSU was signed in secrecy and was only revealed by an outsider.

Due to the existing domestic political dynamics, the JMSU contract was never renewed and amounted to multiple problems both domestically and internationally. It may be viewed as an attempt to promote economic development, energy security for the Philippines and a tool to maintain good relations with China in the midst of SCS conflict, but it was designed at a great cost of the Philippines. The JMSU episode subsided following its expiration in 2008,

but remained as a big challenge in the China-Philippines relations, particularly in the succeeding Benigno Aquino III administration.

4.5 The Aquino III Administration (2010-2016): More Troubles with China

Since President Benigno S. Aquino III came into power in 2010, tensions over the disputed territories have strained the China-Philippines bilateral relations. Aquino has vowed to introduce reforms and transform the Philippine politics by focusing on strengthening regime legitimacy (Cainghog 2014, pp. 98-114; Quilala 2015, pp. 94-109). He adapts an American style of foreign policy, which is projected as principled, clean, and transparent and abides the international law, especially in handling the conflict with China. The controversy surrounding the JMSU Agreement in the SCS involving the Philippines, China and Vietnam served as a breaking point for the Aquino government to expose the corruption activities, the unconstitutionality of the agreement and how President Arroyo compromised the country's national security in exchange of large concessional loans from China and how China managed to enhance its security standing in the SCS. I argue that this incident has intensified the Philippines mistrust and antagonism towards China and remained to be a sensitive issue in their bilateral relations.

The history of the JMSU agreement, as narrated by Baviera (2012), is surrounded with the lack of transparency that lead to suspicions that the deal had been agreed in exchange for graft riddled loan from PRC. It has also been revealed that actors involved in signing the agreement on the part of the Philippines were not key foreign or security policy experts, like the DFA, the National Security Council or the Department of National Defense. Instead, they were consisting of House Representative Speaker Jose De Venecia Jr., the President of PNOC Eduardo Manalac, and President Arroyo herself (Bordadera cited in Baviera 2012). De Venecia has been Arroyo's political ally for a long time and together with Manalac, they are both associated in oil-related activities. As explained by neoclassical realism, domestic actors who are unaware of the intricacies of policy environment yet intervene in security policy are primarily motivated by their personal domestic political motivations (Ripsman cited in Lobell et al, 2009, p. 172-185). In addition, some political leaders show interest in those kind of domestic actors so they can provide resources, either in terms of money, political support, or advice, that can be used either to retain power or in cases of corruption (Ibid).

Corruption allegations surrounding the JMSU project has caused the Aquino administration to publicly humiliate and sack Arroyo appointees to further reinforce the strong public perception that his administration is serious in its campaign for good governance. As Ronas (2012) finds out “the anti-corruption campaign of President Aquino III has dominated his reform agenda two and a half year since he came into power”. Aquino III’s regime change reflected in the pursuit of filing legal charges against former President Arroyo, her relatives and political allies, specifically highlighting the alleged anomalies in ZTE-National Broadband project with China”. The Pulse Asia Survey Report (cited in Republic of the Philippines 2010) reveals that President Aquino III’s willingness of ending corruption in the Philippines has reaped high supports domestically according to local surveys held in the beginning of his presidency.

Despite of the steady increase of the China-Philippines bilateral trade and investments under President Aquino III, the government never forgets how China strategically influenced the Arroyo government to cooperate and agree with the JMSU thus, advances China’s stance in the SCS. An Officer of the DFA (cited in Joseph de Guzman, 2014) explains that “China’s ODA to the Philippines is created for the purpose of advancing China’s political interests in the SCS and not a product of its own goodwill”. Senate President Franklin Drilon also exposed that an embassy official was reportedly quoted saying, “no JMSU, no Northrail” (Ibid). These incidents aggravate the strong willingness of President Aquino to pursue its battle against China.

China on its part has been seeking for bilateral diplomatic dialogues with the Aquino III government, but the latter’s refusal made it impossible, leaving China to think that the Philippines’ attitude and approach in handling the SCS has changed as compared to the former Arroyo administration. As Baviera (2012) has explained, “the informal patronage networking in the Philippine foreign policy decision-making manifested in the JMSU agreement has shifted the Philippines’ behaviour towards China when President Aquino came into power”. Consequently, the failed JMSU has encouraged greater forcefulness from China towards the Philippines in the SCS.

4.5.1 The Scarborough Shoal Standoff and China’s Economic Sanctions

Another incident that exacerbated the action-reaction claim between China and the Philippines occurred in April 08, 2012, when an eight Chinese fishing vessels were spotted

by a Philippine Navy Surveillance plane anchoring along the Scarborough Shoal (Ronas 2012, pp.196-197). The Philippine Navy warship BRP Gregorio del Pilar (PF-15) was immediately dispatched to conduct a marine patrol on the area. As the Department of Foreign Affairs (2012) narrates “the Philippine boarding team has gathered strong evidences, particularly the discovery of large amount of illegally collected marine resources, including live sharks hidden inside the vessels”. Eventually, this apprehension of Chinese vessels ended in the blocking of the Philippine Navy by two Chinese maritime surveillance ships namely, Zhongguo Haijan 75 and Zhongguo Haijan 84 (Bautista 2013). This incident was followed by another display of maritime power by China as it sends signal to the Philippines that they are serious in safeguarding their territories. As observed by De Castro (2012, pp. 2-12), China deployed its largest, most advanced and heavily armed patrol vessel called Yuzheng 310 after the Philippine civilian vessels went back on the area, thus China warned the Philippines not to complicate and further escalate the situation. Stephanie Kleine-Ahlbrandt (cited in Ratner, 2013) describes Beijing’s engagement as a form of “reactive assertiveness”, a quick dispatching of maritime vessels to prevent the Philippines from apprehending its Chinese fishermen. China knew that the balance of power is on its side, while the Philippines is aware that they are engaged in a potentially and dangerous dispute with the emerging power after being outnumbered by Chinese vessels.

The Scarborough standoff, apparently, has extended to China’s use of economic sanctions in order to exert more pressure to the Philippine government to comply with its demands of withdrawing its vessels from the shoal and to avoid harassing Chinese fishermen. As Ravindran (2012) observes, “China had imposed stricter regulations on its imports of Philippine bananas while travel agencies in China and Taiwan suspended tours in the Philippines due to Scarborough Shoal maritime dispute”. It was also during this period when Filipinos in Manila and Chinese in Beijing and Hong Kong held back to back demonstrations, expressing their sentiments over the issue (Ortigas 2012). The “anti-China bullying” demonstrations in Manila were, otherwise, been viewed by the government as unofficial and purely organized by civilians themselves (Ibid).

The 2012 China-Philippines standoff has prompted some observers to think that China took advantage of its economic leverage over the Philippines in order to obtain its own political gain in the SCS, whereas some have reasoned that Manila’s unwillingness to withdraw from the Shoal had encouraged Beijing to punish the former for encroaching Chinese sovereignty, thus resorted to economic measures (Glaser 2012; The Asia Sentinel 2012). But what is

interesting here are the implications of these economic sanctions domestically that have later influenced the foreign policy of the Philippines towards China. It is undeniable that China's economic power is way superior to that of the Philippines. However, as Hufbauer et al. (cited in Ravindran, 2012, p. 116) conclude that "certain aspects of the relationship of the two states must be taken into consideration when determining an appropriate criterion for the effectiveness of an economic sanction towards a target state, instead of relying solely to the size of one's economy".

China is an important market for the Philippines although it only rank third as the country's major trading partner next to the US and Japan. The 2012 report of the UN Comtrade (cited in Zachrisen 2005, p. 92) states that "the Philippines' monthly Banana export to China has amounted to 28 million USD from January to April, 16 million USD from May to August, and 48 million US dollars from September to December, respectively". However, in measuring the extent of an economic sanction at the domestic level, one has to consider the target products and groups and their influence in the domestic political process. As Han Dorussen (2006) explains, "the effectiveness of sanctions also depends on the traded products between two states". The Philippine Banana industry is a large industry concentrated in a particular region of Mindanao Islands, therefore when the sanction was imposed the vulnerability of Banana growers and exporters was strongly felt in the region. Also, Bananas are the Philippines' second largest agricultural export product and supports the main economy of the Mindanao region. As reported by Kesha West (2012), "Banana growers in the Philippines perceive that the crisis in their industry is collateral damage from the territorial disputes of the government with China". Although China has denied the direct connection of the SCS conflict to its imposition of the sanction, the Philippine government has refused to confirm that the collapse of the Banana export was due to its political tensions with China. Nevertheless, how target groups perceive the policy changes is more valuable in determining the effectiveness of the sanction. In 2012, there are about 500,000 Filipinos who relied greatly on the Banana industry as their main source of livelihood (Oda Zachrisen 2005, p. 87). The fear of losing their main source of income perpetuated Banana exporters to create a powerful lobby to the government. As Glaser (2012) finds out that "Philippine business leaders had pressured the government to put an end to their confrontational approach towards China in Scarborough Shoal before their businesses will totally collapse".

The powerful lobbying by Banana exporters contributed to the Philippines' compliance to China's demands (Ravindran 2012, p.121). The Philippine government withdraws its vessels

from the Shoal in line with the typhoon forecast and China followed afterwards. Neoclassical realism regards domestic social actors like Banana exporters as “veto players”, capable of obstructing the government’s goals or can shape the definition of the country’s national interests (Lobell et al 2009). It is also worth mentioning the influence of the nature of the relationship between the Philippine politics and business industries. The presence of a particularly strong or influential group, although they are small in numbers, can shift the balance either in favour of their government or of the rival state. As Ellen Palanca (cited in Ravindran 2012) has observed, “the Philippine political economy is dominated by a power oligarchic class whose influence can lessen the economic cost for China of imposing sanctions”.

The other industry that was directly targeted by China’s sanction is the tourism industry. China and the Philippines have a strong link in terms of trade and tourism. According to the Department of Tourism of the Philippines, China provides about 240,000 visitors in 2011 and around 250,000 visitors in 2012 (Department of Tourism 2012). The tourism industry obviously contributes greatly to the Philippine economy. It has earnings of approximately 11.3 billion USD as of 2014, contributing 4.2 percent to the country’s total GDP and provides approximately 1.2 million jobs (World Travel and Tourism Council 2015). As Ravindran (2012, p. 118) observes that “the tourism industry suffered around 1 million USD loss brought by cancelled trips of Chinese tourists in May 2012 alone”. As Carlyle (2012) finds out, “the travel advisory effect by China lasts for eight months, but the Philippines receives twice as many Chinese visitors in 2013 for a total of 426,000 tourists”.

The denial and ambiguity seen from the side of China concerning about the true reasons behind its economic imposition towards the Philippines at the height of the standoff increased the vulnerability, not only of the Philippines as a state, but of domestic groups targeted by the sanction. This suggests that the impacts of the external power competition between China and the Philippines have forced certain domestic groups to also function in an unclear atmosphere. Nevertheless, as Hufbauer (cited in Ravindran 2012) explains, “the unspoken intentions behind the imposition of economic sanctions towards target groups are identified only through the sudden trade policy changes in the aftermath of a dispute”.

China’s economic sanctions directed towards the Philippine Banana and tourism industries exemplify how both the external constraints and domestic actor’s influence can determine the foreign policy choices of the Philippines. The opportunity cost for China in implementing

banana import and tourist restrictions towards the Philippines is minimal, but the impact on targeted groups in the Philippines is very high, thus making policy compliance to China's demands is more favourable to China.

4.5.2 The Arbitration Case and the US' Support

Challenged by China's growing economic and political power, the Aquino government has vowed of not backing down in advancing the Philippines' national interests in the SCS. With the recent developments in China-Philippines relations brought by the disputes, the Philippines internationalized the solution to the disputes in a form of a lawsuit rather than resorting to bilateral negotiations with China. Prior to this, strong national sentiments are growing domestically about the belligerent rhetoric of China as reflected in its physical presence at the Shoal and the imposition of economic pressure to the Banana and tourism industries. I argue that the Arbitration case filed by the Philippines against China and the inclusion of the US to balance the power in the region highlight the foreign policy of President Aquino III.

Neoclassical realism regards the critical role of public opinion in assessing perceived external threats and the kind of strategies to pursue internationally (Kitchen 2010). The Filipino's trusts towards China have gone down as the 2012 SWS Survey reveals that "the net trust rating of China is *very bad* among those who *very closely* follow the Scarborough Shoal issue with a score of -52, while those following *somewhat closely* the issue rank China as *bad* with a score of -36" (Social Weather Station 2013). In contrast to China, the US gets a positive net trust rating of *excellent* with a score of +76 in 2010 and a *very good* net trust rating score of +62 as of May 2012 (Ibid). Other data reports also show back to back protests in Manila over Beijing's aggressive activities and policies over sea claims. As Aljazeera (2012) reports that "about a thousand protestors lobby in front of Chinese Embassy in Manila while Beijing authorities gather around Manila's Embassy in China in preparation of possible protests by Filipinos". A Global Day of Protest against China was also conducted in 2013 (The Diplomat 2013).

The Philippines has resorted to the agreed international arbitration under UNCLOS in 2013 as such strategy can cope with a situation in which the use of force is inappropriate (Bautista 2014; Yu 2014). An arbitration case is a strategy that works best for weak powers since it is a law-based approach that diffuses the need for military solution. The neoclassical realism

allows the understanding of policy-choices made under the selection of grand strategic options resulted from strategic deliberations, choices and ideas of individuals and groups comprising the state (Kitchen 2010, p. 136). The bottom line is, under the series of events mentioned a coalition has been formed among key domestic actors that have influenced the design of the arbitration strategy of the Philippine government. President Aquino's rhetoric in protecting the sovereignty of the Philippines in the SCS aligns with the public opinion (as shown in the trust ratings they give to China), as well as with the civil society (thru global anti-China protests). The coherent interests of domestic groups has backed up the state to act as a unilateral actor pursuing aims understood in terms of the country's national interests.

In January 22, 2013, Manila took China to a UN tribunal under Article 287 and Annex VII of the UNCLOS to challenge and pressure China's claims in the SCS. As DFA Secretary, Albert del Rosario (2015) explains, "the Arbitration questions if maritime entitlements based on "historic rights" or other rights beyond those provided for the Convention itself are valid, as assertion and exercises of alleged "historic rights" in areas beyond its entitlements under UNCLOS have exacerbated the uncertainty and instability in the region". The Philippines emphasizes that "the arbitration is a peaceful, open and friendly mechanism that allows for a final, rules-based and enduring resolution to the disputes in the SCS in accordance to the international law (Bautista 2014, p.4).

The Philippines is exceptional among claimant states since most of them show little willingness to resolve their disputes by resorting to arbitration under UNCLOS for a reason that other claimant states do not want to jeopardize their bilateral ties with China. The Department of Foreign Affairs (2013) indicates that "their legal action towards China is based on the national interest of the Philippines and not on the action or non-action of other claimants". Consequently, the Arbitration case has angered China expressing that the Philippines' action violates the 2002 Declaration on the Conduct of Parties they both have signed (People's Republic of China 2014). Although China insists for the settlement of their conflict with the Philippines on bilateral terms, China neither accepts the arbitration nor participates in the proceedings while questioning the jurisdiction of the International Court over the international community of states.

Meanwhile, the US has given strong rhetorical support to its alliance relationship with the Philippines in its battle with China over the Spratly Islands. It is evident in the diplomatic and military support that the Obama administration has been given to the Philippines, including

the signing of the Enhanced Defense Cooperation Agreement (EDCA) in 2014 and the latest announcement of the US' 250 million USD worth of military aid to help strengthen the maritime capability of the Philippines, and an assurance that their alliance is strengthened by their shared commitment to safeguard the waters in APR and the Freedom of Navigation (Thayer, 2014; Moss & Nelson 2015). This implies that as the perceived threat from China grows, the Philippines inevitably seeks security guarantee which only its alliance with the US can provide. With the Philippines' limited resources, it is impossible to meet the entire capability requirement needed to address the present day challenges, particularly in patrolling and securing its claimed territories. Therefore, bringing the US to balance the power in the APR is favourable for the Aquino administration.

5. Conclusion

The South China Sea dispute between China and the Philippines is a manifestation of how states operating in the international system continue to struggle in order to gain power that ultimately determines their survival in an uncertain world. These struggles are so difficult to tame or muted as the character of international relations amongst states varies across time and circumstances. In the context of the South China Sea dispute between China and the Philippines, the uncertainty brought by a security dilemma exacerbates the already complex situation between the two states. The economic rise of China coupled by its rapid expanding military capabilities and recent policies on disputed territories and claimed features in the SCS appear threatening to the Philippines. However, the Philippines perceives China's activities as "provocative" and even "aggressive". The unavailability of accurate information or perception about other states' real intention produces fear and suspicions among states, thus exacerbates security dilemma.

It is evident that states do not react similarly to the same objective external situations. The international system and a state's internal characteristics can shape a state's foreign policy and its outcomes. The SCS disputes have influenced the Philippines' foreign policy choices while its domestic level dynamics intervene in the design and implementation of the Philippines foreign policy in the SCS. The Arroyo administration's friendly relationship with China is reflected through its bilateral diplomatic relations and economic partnership despite of their conflict in the SCS. On the other hand, the Aquino III administration's antagonistic relationship with China is reflected through geopolitics with US involvement and

multilateral, legal strategy at the UN Tribunal. The explanation behind the differences in the two administrations lies behind the role of the complex internal characteristics of the Philippines in setting the country's foreign policy agendas towards China, and the implications of these policies. The Philippines' domestic intervening variables, such as decision-making, decision-makers as to how leaders, bureaucracy, interest groups bargain with each other, state's national power, different processes and certain conditions that affect the construction of its national interests, are all important in assessing the extent and the reason why the SCS disputes have impacted the economic and political relations of the Philippines with China. The foreign policies pursued by the Philippines towards China both under the Arroyo and Aquino III administrations have resulted to or have also influenced the behaviour of China in the international realm in relation to the SCS dispute.

So, when looking for possible means that can help manage or eradicate the conflict between China and the Philippines in the South China Sea, it is important to always consider the level of influence of different domestic dynamics of Parties involved in the implementation of these means. Any domestic dynamic, regardless of its size or influence can alter the balance of peace and stability in the international system.

6. References

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