

# ALL FOR ONE, ONE FOR ALL: PROMOTING ECONOMIC ACTIVITIES IN THE SOUTH CHINA SEA

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## **Abstract**

*This paper argues in favour of promoting economic cooperation in South China Sea as a means to reduce the notably rising tension among nations staking territorial claims and protecting their interests in the sea. As the potential for conflict in the sea increases, arising from adversarial posturing and hardline positions taken by several nations with interest in the sea, there is an urgent need to cool off the 'political temperature' and rally the conflicting parties to work on a common cause. An obvious*

*choice for such a cause is economic cooperation, given the common needs for all nations, regardless of their political and strategic differences in South China Sea, to generate economic activities, use resources, conduct trade and live peacefully. This paper spells out the economic benefits that can be derived from engaging in joint economic cooperation in South China Sea, to the littoral states and to user states and other stakeholders. It explores the viability of the Joint Development Authority (JDA) model, taking a leaf from the success of several JDAs between countries with overlapping maritime claims, being applied to South China Sea to promote economic cooperation among the stakeholders. It recommends that Association of South East Asian Nations play a leading role in spearheading regional economic cooperation in South China Sea, given its experience and success in promoting several regional cooperative and capacity-building initiatives. While acknowledging the potential for the area to be mired in prolonged tension, the paper calls for the principal actors in South China Sea to set aside their differences and focus on plucking 'low hanging fruits' in the form of engaging in economic cooperation to build confidence and trust among them as a means to avoid conflict in the sea.*

***Bersatu kita teguh, bercerai kita roboh***

United we stand, divided we fall

(Malay proverb)

**Strategic Sea Under Siege**

The South China Sea is a sea line of communication (SLOC) of immense economic importance.<sup>1</sup> It is a sea that facilitates a significant amount of regional and

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<sup>1</sup> The concept of SLOC entails a sealane which facilitates significant volume of trade and is heavily used by merchant vessels. Such a sealane also has high strategic values from a military point of view, and contains chokepoints that can lead to its closure in the event of incidents such as collision, pollution and attack on ships. For a discussion on the concept of SLOC, see Rohr, K.C. (2010). Amphibious force and sea control in South Asia. Chokepoints. *Marine Corps Gazette*. Retrieved October 6, 2010 from Marine

global trade, hosting some of the world's busiest shipping lanes. These maritime passageways provide critical trade routes to the transportation of a significant volume of global seaborne trade and a lifeline for East Asian economies which depend on energy imports from the Middle East. South China Sea has shaped the development of the region's history, hosting the movements of people and trade that have significantly influenced the course of civilization and political and socio-economic developments in the South China Sea region.<sup>2</sup>

The strategic location and rich resources of the sea generate plenty of economic activities that provide a crucial source of revenue to its littoral nations and employment to many people residing along its coasts. Further underscoring its importance, it is estimated that South China Sea facilitates the movements of over half of the world's oil tanker traffic and over half of its merchant vessels (by tonnage) annually.<sup>3</sup> This enormous maritime expanse is also rich in biodiversity, estimated to host 30% of the world's coral reefs, and contains rich deposits of hydrocarbon energy.<sup>4</sup>

South China Sea is also a body of water of tremendous geo-strategic and geopolitical importance. It hosts complex interplays of many interests and perspectives, and is a theater of great interest for the littoral states and regional and external powers. It is therefore not surprising that the sea is the subject of keen global attention. Evident of this is multiple territorial disputes over certain parts of the sea involving several nations.<sup>5</sup> No

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Corps website: <http://www.mca-marines.org/gazette/article/chokepoint>. See also Lehman Brothers Global Equity Research. (2008, January 18). *Global Oil Choke Points, Energy and Power*. Retrieved October 6, 2010 from Lehman Brothers website: <http://www.lehman.com>.

<sup>2</sup> In the context of this paper, 'South China Sea region' is defined as the maritime territories in the sea and land areas along its coast.

<sup>3</sup> Anon. (undated). *The South China Sea*. Retrieved October 23, 2009 from The South China Sea Virtual Library website: <http://community.middlebury.edu/~scs/intro.html>

<sup>4</sup> Ibid.

<sup>5</sup> To underscore the complexity of the territorial disputes in South China Sea, there are multiple disputes involving several nations over status of islands, overlapping Exclusive Economic Zones and continental

fewer than 10 nations have staked their claims on parts of the Spratlys Island, believed to be an area with prolific energy deposits and fertile fishing grounds.

Recent events involving key stakeholders in South China Sea have increased the temperature in the sea. They include the incident involving the US Navy ship *Impeccable* and Chinese vessels in March 2009;<sup>6</sup> the spat between China and Japan over the islands referred to by Japan as Senkaku and by China as Diaoyu (September 2010);<sup>7</sup> the pronouncement by Beijing that South China Sea is a subject of ‘core interest’ of the world’s most populous nation (July 2010);<sup>8</sup> and strong expressions by US of safeguarding

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shelf. This creates a lot of uncertainties and a potentially combustible stage for tension in the sea among the claimants. For a detailed analysis on the nature of these disputes, see Burgess, P. (2003, March). The politics of the South China Sea: Territoriality and international law. *Security Dialogue*. 34(1).

<sup>6</sup> See McDonald, M. (2009, March 10). US Navy provoked South China Sea incident, says China. *New York Times*. Retrieved October 11, 2010 from New York Times website:

<http://www.nytimes.com/2009/03/10/world/asia/10iht-navy.4.20740316.html> See also De Luce, D.

(2009, March 10). Chinese ships ‘harassed’ USNS Impeccable in South China Sea. *Agence France-Press*. Retrieved October 11, 2010 from News.com.au website:

<http://www.news.com.au/story/0,27574,25164890-401,00.html>

<sup>7</sup> At the East Asian Summit held in Hanoi in late October 2010, China’s Premier Wen Jiabao shook hands with Japan’s Prime Minister Naoko Kan, which initially gave promise of the prospect of cordial discussion taking place at the summit between the two Asian powers over their dispute in South China Sea. However, the handshake turned out to be a false dawn. Following that, China’s Assistant Foreign Affairs Minister, Hu Zhengyue described Japan’s diplomatic corps’ ‘partnership with other nations’ to ‘step up the heat on the Diaoyu Islands issue’. He further condemned Japan’s conduct at the summit as a violation of China’s sovereignty and territorial integrity’. Very strong words indeed that reflect the gravity of the tension between the two nations over the disputed islands in South China Sea. See Anon. (2010, October 30). Diplomatic feud deepens. *The Star*. W38.

<sup>8</sup> The carefully worded expression ‘core interest’ seems to indicate a hardening of position by Beijing in safeguarding its interests in South China Sea, and may well suggest that China will not hesitate to protect them by all means, including through military solution. See Anon. (2010, July 4). China adds South China Sea as ‘core interest’ in new policy. Retrieved October 11, 2010 from Zeenews.com website:

<http://www.zeenews.com/news638592.html>

its strategic interests in South China Sea (October 2010) which alarmed China.<sup>9</sup> The uncompromising stance and belligerent approach of some nations in staking their claim in South China Sea could threaten peace, prosperity and stability in the waters and in the region. This is certainly not helpful in creating conducive environment for economic activities to be pursued in the sea and for its stakeholders to benefit optimally from its features and the riches that South China Sea provides.

Drowned amid the clutter of claims and counterclaims in South China Sea; the aggressive displays of power projection - and the unabashed assertion of interests, influence and supremacy by several principal actors in the sea - is the discussion of the economic potential of this resource-rich body of water. Little attention has been given to explore the virtue of economic cooperation among the stakeholders<sup>10</sup> in South China Sea as a means to promote peace, prosperity and stability in the sea. Media columns reporting on South China Sea are dominated by news of conflicts and confrontations, and very little on economic cooperation among its stakeholders.

This paper aims to outline the economic potential that can be derived from the strategic location and enormous riches of South China Sea. It identifies areas for cooperation in South China Sea that the littoral states can jointly pursue and recommends a mechanism to facilitate this. It is hoped that the quick canter on the subject could

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<sup>9</sup> US Secretary of State, Hillary Clinton waded into the China-Japan dispute in South China Sea over the Senkaku-Diaoyu Islands by stating that the disputed islands fall within the scope of the strategic alliance between Washington and Tokyo, namely the US-Japan Treaty of Mutual Cooperation and Security. The assertion of US-Japan alliance, described by Clinton as ‘the cornerstone of American strategic engagement in the Asia-Pacific’ came at a time of rising US concern over what it saw as an increasingly assertive China which Washington was trying to counterbalance. See Anon. (2010, October 29). US, Japan hit back at China. *The Star*. W40.

<sup>10</sup> In the context of this paper, ‘stakeholders’ of South China Sea include those who benefit socially, economically, politically and strategically from the sea, either directly or indirectly. They include littoral states, user states, naval powers, shipping lines, shippers, port operators, maritime security agencies, fishing industry, coastal communities and the people.

contribute positively to the discourse on the subject and inspire the stakeholders to set aside their geo-political and geo-strategic differences and focus on collaborating on their common economic interests to reap the economic opportunities so richly provided by this mighty sea.

### **Benefits of promoting economic cooperation in South China Sea**

The economic riches and importance of South China Sea as a trade sealane masks the awful truth that it could be a flashpoint arising from the unbridled tension created by its very stakeholders eager to stake their claims and win at all cost. To steer clear from conflicts, the stakeholders must exercise restraint and exhaust all diplomatic channels to preserve peace in the sea. The last thing we need is this great body of water that facilitates much of international trade and is crucial to the socio-economic prosperity of the littoral nations and other beneficiaries of South China Sea.

The coasts along South China Sea are heavily populated and host a wide range of economic activities. Many cities and key infrastructures including ports, shipyards, power plants and factories are located on the shores along the sea. The prolific deposit of oil and gas in the sea helps satisfy the ever-rising global energy demand, provides an important source of revenues to the littoral nations and generates employment to many.

It is imperative that nations in a vast maritime region like the South China Sea region work together to gain economically from the riches that the sea provides. This is especially crucial for nations in the South East Asian region bordering the sea, to whom economic integration is a mantra and will soon become a way of life. ASEAN has initiated several regional measures to boost economic cooperation among member nations, and with its key trading partners such as China, Japan, Korea, India and the Oceania through a series of Free Trade Agreements. Such measures are set to enhance trade volumes; boost foreign investments; provide consumers with greater access to more goods and services; and increase competition, efficiency and productivity.

The benefits arising from economic cooperation in the South China Sea region are manifold. They include :

- i. Promoting trade among littoral nations which consist mainly of developing nations whose economies depend heavily on trade as a source of economic growth. Given this dependence, boosting trade is a matter of paramount importance to the littoral nations which depend on South China Sea to facilitate much of their trade. As such, efforts should be made to create an environment in South China Sea that promotes trade in the waters and among its littoral nations, and between them and their trading partners. Strengthening trade ties among the South China Sea littoral nations and their trading partners via encouraging the conduct of more trade, would benefit all parties whose trade is transported through South China Sea. It would encourage investments in trade infrastructures such as ports and roads, boost the development of the logistics sector, and generate employment and tremendous multiplier effects across the regional economies.
- ii. Enabling littoral nations to tap into resources that they could not afford or provide on their own. For example in oil and gas exploration and production of an area in South China Sea bordering several nations, the underdeveloped nations stand to benefit from the opportunities provided by being involved in such a high-tech venture. Countries with the skilled workforce to engage in the venture may benefit from outsourcing lower value-adding activities and processes to countries with labor-intensive workforce.
- iii. Taking advantage from distribution of production of certain economic activities. The trend in manufacturing supply chains these days is such that certain processes are sourced out to nations and areas where the cost of carrying out those processes and certain activities are lower. The South

China Sea region, which consists of several nations with low cost of land and labour and are rich with resources needed to manufacture certain types of goods, have benefited from this trend. Countries with the resources and labour to carry out higher-end, value-adding manufacturing activities for domestic production. A good example is in the manufacturing of electronics products, which is a key source of growth for the economies of several South China Sea nations like Malaysia which stand to gain from the distributed production nature of the sector, given the high cost of its intermediate inputs.<sup>11</sup> Promoting such economic activities in South China Sea region on a joint basis would benefit countries lacking in certain advantages and would trigger positive multiplier effects all across their economies.

- iv. Enabling regional exporters to tap into bigger markets. Economic cooperation and integration lead to manufacturers, producers and service providers being able to tap into a larger regional market. This is especially essential for those coming from countries with small domestic markets, be they in terms of population size, demand or income levels. Through economic cooperation, countries in South China Sea region can export to more countries in the region and beyond, and in bigger volumes to countries where demand for their exports is high.
- v. Promoting greater degree of liberalisation. To enable economic cooperation to take place in a seamless manner, there has to be a high degree of liberalisation. This is especially the case in a vast region like South China Sea which consists of countries with consists of nations with vastly different stages of socio-economic development and infrastructure development.

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<sup>11</sup> See Raynor, J.J. (2010). Managing the diplomatic risks of Asian regional economic integration. *The Journal of Diplomacy and Foreign Relations*. 11(1), 2010. p.91.

- vi. Attracting foreign direct investment which in turn drives economic growth and generates plenty of positive economic multiplier effects, especially in countries which are underdeveloped.

Admittedly, the benefits of economic cooperation would not be evenly distributed among the sea's littoral nations, owing to the disparity among them in terms of socio-economic development status and differences in policies. Nations which are still dependent upon labour-intensive economic activities would not enjoy the spillover of value-adding economic activities from engaging in cooperation with other nations.

### **Promoting economic cooperation in South China Sea: Recommended platform**

The unmistakable trend of globalisation, liberalisation and growing economic interdependency among nations in the South China Sea area demands them to enhance collaboration and cooperation among them to reap the opportunities available before them in the sea and surrounding region. Through this way, they can more effectively overcome common transboundary challenges presented by the ever-changing tides in regional and global maritime trade.

As trade barriers are dismantled and the business environment becomes more liberalised, South China Sea regional countries will no longer be able to retain the old way of thinking and operate in isolation. More than ever, they need to cooperate to enhance trade among them and to boost the attraction and competitiveness of the region to attract more trade and investments in the region.

The unmistakable trend of free trade agreements in the South China Sea region demands that previously closed doors are opened to enable greater trade and economic integration across the region. This will result in greater level of competition for the regional nation and among maritime industry players to attract and handle more trade.

When seen in this context, it should dawn upon the parties which are at loggerheads in South China Sea of the need to work out, if not set aside, their differences and close ranks to achieve common objectives of attaining peace, prosperity and stability.

South China Sea can be a conduit for prosperity instead of a lightning rod for instability, if the littoral nations so wish. The establishment of regional initiatives such as ASEAN Free Trade Area (AFTA) and Asia Pacific Economic Council, and the success of bilateral free trade agreements among the South China Sea region's nations stand testimony to the practicality and workability of achieving the lofty ideal of creating a peaceful and prosperous South China Sea area.

Having outlined the virtues of enhancing economic ties in South China Sea, a platform on which economic cooperation in South China Sea can be promoted can be recommended. Among the potential areas for economic cooperation that can be explored on this platform include:

- i. Exploration and production of energy
- ii. Exploitation of fishery resources
- iii. Expansion of seaborne trade
- iv. Increasing port throughput, shipping capacity and maritime support services
- v. Promotion of coastal economic activities
- vi. Expansion of transboundary seaborne passenger transport routes
- vii. Increasing investment in maritime infrastructure development
- viii. Promotion of marine tourism
- ix. Enhancement of capacity building in the above economic activities

In this regard, the success of the Joint Development Area (JDA) initiative between Malaysia and Thailand to jointly exploit the resources in the Gulf of Thailand could provide a workable model for joint economic cooperation in South China Sea.<sup>12</sup> The gas-

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<sup>12</sup> The Malaysia-Thailand JDA covers an area of 7,250 km in the Gulf of Thailand. Established as an interim measure to enable both countries to exploit the natural resources in the continental shelf which they both claim, the JDA provides a mutually beneficial model for them to share the revenues generated

rich area where Malaysia and Thailand have overlapping claims is administered by a Joint Development Authority consisting of members from both countries. The JDA represents a collaborative effort between the two neighboring countries to guide the development of the JDA region.

Beside the Malaysia-Thailand JDA, there are several other examples of successful multilateral economic cooperation via such initiative. They include the Niger-Sao Tome and Principe Joint Development Zone Area which was established by a treaty <sup>13</sup>that regulates their resources in the area where the two countries' maritime claims overlap. The initiative, like the Malaysia-Thai JDA, stands testimony to the workability of this model in rallying nations involved in maritime disputes to set aside their differences and work on an area of mutual interest and benefit.

The success of these JDAs should provide food for thought to the claimant nations in South China Sea of the virtue of economic cooperation. Using the JDA platform, even nations with outstanding claims on same maritime areas can still work together and cooperate in promoting and developing economic opportunities.

It is suggested that ASEAN should lead the way in spearheading the creation of a platform for economic collaboration among the littoral nations of South China Sea and

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from the resources equally. Despite this arrangement, the JDA does not relinquish the legal right to claims over the disputed area by both countries, a principle that forms a key tenet in the joint development of disputed maritime territories. Retrieved October 17, 2010 from Malaysia-Thailand JDA website: <http://www.jta.org>

<sup>13</sup> The key provisions of the treaty are: (i) Definition of the Joint Development Zone by way of determining its coordinates; (ii) Allocation of 60% of resources to Nigeria, 40% to Sao Tomé and Principe; (iii) The treaty will last for 45 years with review after 30 years; and (iv) There should be no renunciation of claims to zone by both countries. See the JDZ Treaty signed in 2001 between The Federal Republic of Nigeria and The Democratic Republic of Sao Tome and Principe on the Joint Development of Petroleum and Other Resources of the Exclusive Economic Zones of the Two States. Retrieved October 27, 2010 from Nigeria-Sao Tome and Principe Joint Development Authority website :

<http://www.nigeriasaotomejda.com/>

implementing measures to attain this objective. ASEAN seem a logical choice to spearhead economic cooperation initiatives in South China Sea given the centrality of South East Asia within the South China Sea expanse. Although not without its flaws, ASEAN's track record in promoting regional integration and its willingness to engage constructively with its dialogue partners in many areas of common concern give it a distinct advantage over other regional groupings or bodies to promote economic cooperation in South China Sea.

ASEAN's consensus-based and constructivist approach in enhancing regional ties is seen as the most appropriate approach to enhance economic linkages in a vast area with multiple stakeholders such as the South China Sea. The grouping's commitment to broaden economic cooperation and expanding trade relations should enable it to provide the platform for economic cooperation among South China Sea littoral nations and other stakeholders. ASEAN's experience in creating effective mechanisms and modalities among their members to promote and boost regional cooperation in areas such as trade, transport and security can certainly be applied to South China Sea.

The track record and commitment of ASEAN in promoting regional economic integration stand testimony to its ability to act as an effective broker in promoting economic cooperation in South China Sea. Various initiatives to promote regional economic cooperation, from the conceptualization of the Preferential Trading Arrangements in the late 1970s to the ASEAN Industrial Projects and ASEAN Industrial Complementation scheme in 1980s, have resulted in the liberalisation of trade and the creation of AFTA. Other initiatives to create economic integration in the region and between the grouping and its trading partners include the ASEAN Framework Agreement in Services and Initiative for ASEAN Integration. All these will culminate in the establishment of ASEAN Economic Community,<sup>14</sup> and ambitious initiative aimed at

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<sup>14</sup> At the 12<sup>th</sup> ASEAN Summit in Cebu, Philippines in January 2007, ASEAN leaders agreed to accelerate the establishment of ASEAN Community by 2015. This is consistent with the objectives of ASEAN Vision 2020 based on the pillars of ASEAN Economic Community, ASEAN Security Community and

integrating South East Asia's disparate economy to boost economic activities and trade among the region's nations and to increase the standard of living of its people.<sup>15</sup>

To this end, it is suggested that a body called South China Sea Economic Cooperation Group (SCSECG) is established with the objective of promoting economic cooperation in the South China Sea region. The grouping can provide a platform for South China Sea littoral nations and other stakeholders to discuss areas of cooperation and identify economic activities which they can pursue together. The ASEAN Secretariat can establish a special coordinating committee to support the SCSECG and to plan, promote and implement the strategies identified by the grouping.

SCSECG can also be an effective avenue for South China Sea littoral nations to address common economic challenges and promote capacity building in various economic activities. Members of the grouping could mobilise their financial resources and set up a fund to fund its activities, and other nations and organizations with stakes in South China Sea can also contribute to this fund and other special initiatives of the grouping to promote economic activities in the sea's region.

Through SCSECG, economic ties can be broadened and deepened not only among South China Sea littoral nations but also among their dialogue partners. This approach is essential in enhancing the prospects of economic cooperation in South China Sea which also counts many nations and parties outside South East Asia as stakeholders. Regional

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ASEAN Socio-Cultural Community. See Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. Retrieved 26 October, 2010 from ASEAN website:

<http://www.aseansec.org/19260.htm>

<sup>15</sup> ASEAN Economic Community's agenda consists of the following: (i) reducing the 'development gap' between the founding members of ASEAN plus oil-rich sultanate of Brunei and the so-called CLMV (Cambodia, Laos, Myanmar, Vietnam); (ii) promoting human resource development and capacity building among member nations; (iii) increasing consultation on macroeconomic and financial policies; (iv) enhancing infrastructure and communications connectivity among member nations; (v) integrating industries across the region to promote regional sourcing; and (vi) enhancing private sector involvement in economic activities.

forums and frameworks such as Asia Pacific Economic Cooperation, East Asia Summit and ASEAN+3, can complement the ASEAN-driven forum by mutually supporting the economic cooperation initiatives that it promotes. To further expand and deepen the grouping, external parties – including nations and organizations – can be invited to participate in SCSECG meetings. In doing so, the centrality of ASEAN as the primary driver of the grouping can be maintained while at the same time not sidelining the views and interests of external users of South China Sea in promoting economic cooperation in the sea.

The author is not naïve to the challenge of rallying South China Sea littoral nations to set national interests and reconcile differences in the name of promoting economic cooperation among them in the sea. As compelling as the idea of promoting economic cooperation is, doing so is not going to be an easy process. Several nations may not be prepared to make concessions and may feel economically disadvantaged by engaging in economic cooperation instead of going it alone. There could well be political repercussions at home and certain diplomatic risks emanating from participating in joint economic initiatives. Local constituencies of South China Sea littoral nations and external parties may see being involved in the grouping as an unacceptable compromise of their national sovereign rights and territorial integrity, and could exert pressure on their governments not to participate in such economic cooperation initiative.

For a grouping like SCSECG to be realised, there has to be firm commitment and political will by South China Sea littoral nations to work together and focus on areas of common interests instead of harping on their differences. Only when there is peace and stability in the sea can economic activities be promoted that can in turn generate economic growth and prosperity in the region. There also has to be a confluence of factors that would create a suitable environment for South China Sea littoral nations to

come together to pursue economic activities in the sea, key of which is the cease of activities that could lead to hostility and conflicts among the principal actors.<sup>16</sup>

It would be difficult for South China Sea littoral nations to pursue economic activities in the sea for as long as tension remains among them over the sea. As hopeful as we are, and should be, of disputing parties in South China Sea smoking the peace pipe, we acknowledge that such a moment would be a long time coming. Even the most optimistic among us would cast doubt that China and Japan would settle their differences in South China Sea soon and pursue economic interests in the sea together.

### **Conclusion: Towards an economically prosperous South China Sea region**

There are grounds to be concerned about the situation in South China Sea based on recent developments threatening peace and stability in the region. The fact that there are many parties with interests in the sea makes it a theatre of tension that is burdened with many complex issues. Claims over maritime areas, aggressive naval posturing, belligerent behaviours and hardline stance taken by certain parties have increased the ‘temperature’ in the sea. Incidents involving naval powers in the sea in recent months, and the reactions thereto, could easily aggravate into full-blown confrontations, if not handled delicately and settled amicably.

It is unfortunate that the current discourse on South China Sea is dominated by headline-grabbing maritime boundary conflicts, the confrontation between powerful

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<sup>16</sup> Taking the clue from the creation of ASEAN Economic Community, such initiative would not have materialized had there not been developments and factors that made it conducive for the establishment of such a community. Had there not been free movement of capital, trade and labor within the South East Asian region, existence of a network of multinational companies and good trade transportation system across the region, the advent of telecommunications, and foreign direct investment pouring into the region, the notion of creating a single regional market and production base would never could see the light of day. For a succinct discussion on the subject, see Raynor, J.J. (2010). Managing the diplomatic risks of Asian regional economic integration. *The Journal of Diplomacy and Foreign Relations*. 11(1), 2010. 89-112.

states and the possibility of the outbreak of conflicts in the sea. However, the rising tension in the sea should not dampen efforts to rally nations which do not see eye to eye in South China Sea and get them to work on areas of common interest. Notwithstanding the complexity of the issues and the multiplicity of factors involved in the sea, more concerted efforts should be made to foster close ties among the principal actors in South China Sea. Given the importance of the sea to regional stability, the principal actors in South China Sea should focus on enhancing ties among them instead of directing their energy and resources on disputes that can threaten peace in the sea and surrounding region.

Although recent developments suggest little that the tension in South China Sea would subside any time soon, there is no reason to be pessimistic of the prospect of peace in the sea. One hopes that senses would prevail and the realisation of the need to harness the economic riches and benefits in the sea would override the need to protect narrow interests that could cause further tension in South China Sea.

The message that this paper yields is simple: nobody wants conflict but we all want to use resources provided by the sea, prosper economically and live peacefully. Certain principal actors on the South China Sea stage must set aside the win-at-all-cost mentality in staking their claims and protecting their interests in South China Sea think carefully of the repercussions of their approach to regional peace and stability, and to future generations. Urgent and concrete actions should be initiated by all the stakeholders to reduce tension and resolve conflict among them. Only then can they engage in the kind of economic cooperation activities recommended in this paper to boost economic cooperation and ties among them, and maximise the economic potential provided by the riches of this pivotal maritime expanse.

On a more hopeful note, there is no reason why nations which can work together to enhance economic cooperation among them cannot resolve their disputes at sea in an equally amicable fashion. South China Sea can be a conduit for cooperation instead of a stage for squabble if the stakeholders so want it to./.

**Note:**

\* Paper presented at the ‘International Workshop on South China Sea: Cooperation for Regional Security Development’ in Ho Chi Minh City, Vietnam on 11-12 November 2010.

\*\* Senior Fellow, Maritime Institute of Malaysia (MIMA). E-mail: [nazery@mima.gov.my](mailto:nazery@mima.gov.my) The opinions expressed are entirely personal and do not reflect the official positions of the institute of the author’s affiliation. The paper is intended to provide an objective academic discourse on the South China Sea and is by no means representative of any political stand on any situation related to the sea. The author is grateful for Dato’ Abu Bakar Jaafar, Senior Adjunct Fellow, MIMA for his valuable comments.

**Author’s biography**

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To date, Nazery has presented talks and papers at over 80 seminars and conferences worldwide on a wide range of maritime issues. He has published over 180 articles, research papers and commentaries which have appeared in various publications in print and online, including chapters in books and refereed journals. He has published books on ship financing in Malaysia and multimodal transport development in Malaysia and has also edited two conference proceedings. His research findings and views on various maritime issues and developments are often quoted in the media.

Nazery holds a Bachelor of Arts degree in Business Administration from Ottawa University, Kansas, USA and an MBA from International Islamic University, Malaysia. He taught Maritime Economics to post-graduate students at a Malaysian university and

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