



JOINT DEVELOPMENT IN THE SPRATLYS – A POSSIBLE OPPORTUNITY FOR CHINA TO TAKE THE LEAD

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In recent years, China has become more forthcoming in coming up with regional security cooperation initiatives. Notably, in the case of Northeast East, it has been instrumental in facilitating the convening of the six-party talks to deal with the denuclearization of the Korean Peninsula. For Central Asia, it is most supportive and active in the Shanghai Cooperation Organization. For Southeast Asia, the focus of this paper, Beijing was seen to be the first extra-regional power to accede to the Treaty of Amity and Cooperation (TAC) in Southeast Asia in 2003. More importantly perhaps, it was also the first extra-regional power to sign the Framework Agreement on Comprehensive Economic Cooperation for the establishment of the ASEAN-China Free Trade Area (ACFTA) with Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand by 2010 and with Cambodia, Laos, Myanmar and Vietnam by 2015. These endorsements and links with Southeast Asia no doubt had obvious demonstration effects in encouraging other powers to follow suit.

While there are many advances in Sino-ASEAN relations, the South China Sea territorial disputes remain to be one of the major, if not the major, sticky problems in the relationship, so much so that some analysts had called it the “time bomb” of Southeast Asian security. Even with the signing of the Declaration on the Conduct of Parties in the South China Sea (DOC) in 2002, resolution of the conflicts is nowhere in sight. As the largest state and the only major power claiming “indisputable” sovereignty over the South China Sea, China plays a decisive role in the search for conflict management and resolution. It is the intention of this presentation to scrutinize China’s attempts or initiatives in dealing with the South China Sea conflicts. In this regard, the presentation will also suggest what China could do to lessen the tension and preserve peace and stability in the South China Sea.

DENG XIAOPING’S SUGGESTIONS

While there is no lack of suggestions on how to resolve the disputes in the South China Sea , especially in track two or unofficial meetings in recent years, one of the first,



if not the first, leading officials trying to put up a proposal to manage the issues came from China's paramount leader, Deng Xiaoping. As documented by the author elsewhere, Deng had actually thought of different ways of resolving China's territorial conflicts with other states, notably the ones with Japan in the East China Sea and the more complicated ones with some ASEAN states in the South China Sea.¹ His suggestion was basically shelving the disputes for the sake of peace, development and friendship as indicted to the outside world at a Tokyo press conference in late 1978. He further elaborated by indicating that the claimants of the disputes could jointly develop the disputed areas before discussing the question of sovereignty later on in 1984. In this regard, he formally proposed to the Central Advisory Commission of the Communist Party of China in October 1984 that in trying to resolve China's international disputes, the policy of "one country, two systems" could be adopted in some cases and the policy of "joint development" in others. For the former policy, it would be applied to Hong Kong and Taiwan, and for the latter, the Spratly islands in the South China Sea. It should be noted that Deng was talking about the Spratlys but not the Paracels and other island groups as far as the South China Sea was concerned. Secondly, he insisted that the Spratlys belong to China but noted that Taiwan had occupied one and that the Philippines, Vietnam and Malaysia had taken a few. He indicated that China could use force to claim back all these islands, but he thought China should use peaceful means to resolve the disputes and that it would be better to shelve the sovereignty issue and jointly develop the area. Just like other major policy recommendations from China's paramount leaders, Deng's proposal of "shelving the disputes and conducting joint development" in the Spratlys has been adhered to essentially by subsequent leaders, namely Jiang Zemin and Hu Jintao.

CHALLENGES TO THE DENG'S PROPOSAL

It remains to be noted that there are always reservations at home in accepting the proposal of promoting joint development with other claimants. With rising nationalism among the Chinese people, there are "ultra-patriotic" Chinese who feel that the other claimants are really taking advantage of China's friendly policy towards Southeast Asia. One common view from these quarters was that while China had not extracted one drop of oil from its territories in the Spratlys, some ASEAN states were "stealing" away the

¹ The following is extracted from Lee Lai To and Chen Shaofeng, "China and joint development in the South China Sea: An energy security perspective" in Sam Bateman and Ralf Emmers, eds. *Security and International Politics in the South China Sea, Towards a cooperative management regime*, New York: Routledge, 2009, pp. 155-157.



energy resources from different parts of the waters.² At the elite level, there are the so-called hawks advocating the use of force to take back what “rightfully” belongs to China. Notably, within the ranks of the People’s Liberation Army (PLA), there are people who could hardly stand that other countries are extracting oil and gas resources from what they consider to be Chinese territories. In fact, when Liu Huaqing was the Vice Chairman of the Military Commission of the Central committee of the CCP, he wanted to develop the Chinese navy. Specifically, he stated in the early 1990s that for China, the most probable place to have a war was the South China Sea in the next ten years, and as such, it would be necessary for China to have an aircraft carrier battle group. He emphasized that by having an aircraft carrier battle group, it was not meant to compete with Washington or Moscow, but to perform missions to struggle against Taiwan, protect the claims in the South China Sea and safeguard the oceanic rights and benefits of China.³ With modernization of the PLA as exemplified notably by its military display at the 2009 National Day Parade and the public disclosure that China would indeed build its own aircraft carrier battle groups, it is obvious that China will be in a much better position to project its military might into the South China Sea and other coastal areas. The temptation to use force, an option mentioned even by Deng Xiaoping, to settle the territorial disputes in the Spratlys could not be ruled out.

MAJOR PROPONENTS OF JOINT DEVELOPMENT

In spite of the nationalistic desire to claim all the Spratlys, there is reason to believe that there are segments of the Chinese polity wanting to have joint development with other claimants provided China’s sovereignty claims are not in danger. One of the major “interest groups” in this regards is the Chinese oil companies. Thus the China National Offshore Oil Corporation (CNOOC) and more recently China National Petroleum Corporation (CNPC) and China Petrochemical Corporation (Sinopec) are interested in offshore oil and gas exploration and production (E & P) in the South China Sea. In fact, the lead oil company, the CNOOC, had decided to upgrade its technology in deepwater drilling⁴.

² See, for example, Cheng Bizhong, “Dong Meng mei nian dao cai nan sha shi you 5000 wan dun, Zhongguo reng wei kai fa (ASEAN stealing 50 million tons of oil from the Spratlys annually while China has not yet started oil exploration)” in <http://finance.sina.com.cn/chanjing/b/20060224/17592371401.shtml>.

³ Lee Lai To and Chen Shaofeng, *op.cit.*, p. 162.

⁴ *Beijing Zaobao* (Beijing Morning Daily), 20 August 2007.



In the light of glowing Chinese reports about the oil and gas potentials in the South China Sea, Chinese oil companies no doubt would like to venture into the deeper Spratly waters. It is highly possible that they would like to collaborate with others in such a venture. Firstly, Chinese oil companies still do not have the deepwater technologies at this point. They will continue to rely on foreign companies if it wants to go for deepwater E & P. The problem is that no investors would invest in contested areas in the Spratlys unless there is an agreement of the claimants to jointly develop the waters. More importantly, it may not be a bad idea to collaborate with oil companies of other claimants so as to spread the investment and financial risk in deepwater E & P. Finally, since China has yet to get the first drop of oil from the Spratlys, any joint development could give it a chance to share the energy resources.

Another major supporter of joint development could be provinces bordering the South China Sea, particularly, Hainan and Guangxi Autonomous Region. Just like the ACFTA, local governments who can benefit from the proposal will give it their support. Thus both Hainan and Guangxi Autonomous Region are adjacent to the South China Sea. They are interested in preserving peace and stability in the South China Sea, or for that matter, Gulf of Tonkin, as any tension or disputes in the waters will not only restrain Beijing from approving their ambitious development plans but also scarce away foreign investments. Both Hainan and Guangxi Autonomous Region have been trying to utilize oil and gas resources to upgrade their provinces in the economic ladder. As the province designated by Beijing to govern most parts of the South China Sea, Hainan will be the largest beneficiary if joint development projects manage to take off in the area. Likewise, Guangxi Autonomous Region is also very proactive in promoting joint development in the South China Sea as it is physically close to Southeast Asia. It is pushing for the formation of a Pan-Beibu Gulf (Gulf of Tonkin) Regional Economic Cooperation Scheme encompassing Guangxi, Guangdong, Hainan, Vietnam, Thailand, Cambodia, Malaysia, Singapore, Indonesia, the Philippines and Brunei. Guangxi's proposal is part and parcel of its drive to develop its coastal area into a new economic powerhouse of China and it banks on building up links and cooperation with ASEAN, particularly the South China Sea states.

CHINA'S COMMITMENT TO JOINT DEVELOPMENT

On balance, China, or for that matter, ASEAN, is level headed enough to understand that there is a lot of room for cooperation and that each side should not let the South China Sea disputes derail the cordial relations that have been built up over the years since the 1990s. While there are always forces at home pushing for the return of



“lost territories” and establishing China’s “indisputable sovereignty” over the Spratlys as noted earlier, the leaders in Beijing are not likely to use force, at least in the near future, to support its claims as it would obviously strain its relationship with ASEAN and possibly draw in the other powers, notably, the US, to the quagmire. Besides, its first priority when coming to territorial integrity is not the South China Sea but the reunification of Taiwan with the motherland. As such, the Chinese official line would not allow the South China Sea to hijack the agenda of cultivating and maintaining cooperative relations with ASEAN. It would like to search for a “win-win” solution and adhere to the policy of “qiutong cunyi (seeking common grounds while accepting differences). As stated by China’s Ministry of Foreign Affairs, China hoped to work with the concerned ASEAN states to change the South China Sea into a “sea of friendship” or a “sea of cooperation.”⁵ While continuing to endorse joint development with other claimants, it should be noted that China is basically talking about such ventures in contested areas in the Spratlys and not so much in the shallow waters near China nor the waters under its control like those near the Paracels. In addition, joint development will be conducted by shelving the sovereignty disputes as noted before. Any suggestions or models to carve up the sovereignty of the South China Sea among the claimants would not be acceptable to Beijing. In fact, once the sovereignty issues is raised, China would have no choice but to reiterate its sovereignty rights over the South China Sea.

NEED TO BE PRO-ACTIVE IN MAKING JOINT DEVELOPMENT A REALITY

While the intent seems to be for joint development, China has not really been successful in putting the proposal into practice. This no doubt is not just a problem of China alone. However, as far as China is concerned, perhaps it would be helpful if it could put in more effort to take the lead in promoting joint development. As the largest claimant state and a rising power in the Asia Pacific and the world, China will be able to exert much more influence if it is seen to be working hard on having joint development in the South China Sea. One may recall that when China made the strategic and political move to work with ASEAN on establishing the ACFTA, Premier Zhu Rongji, supported by President Jiang Zemin, was determined to push through the web of political and bureaucratic hurdles at home to make sure that the agreement in this regard, namely, the Framework Agreement on Comprehensive Economic Cooperation, could be signed in 2002.⁶ As noted earlier, this made China the first major power to sign such an agreement

⁵ Lee Lai To and Chen Shaofeng, *op. cit.*, p. 166.

⁶ For the internal politics leading to China’s decision to sign the ASEAN-China Framework Agreement on Comprehensive Economic Cooperation in 2002, see Du Ding Ding, *Foreign Economic Policy Formulation*



with ASEAN at a time when the latter was still trying hard to make a comeback in international and regional affairs after the Asian Financial Crisis. Premier Zhu's vision, courage and the speed in pushing for such a collaborative project with ASEAN is no doubt critical for the eventual implementation of the FTA with ASEAN starting from 2010. It is also suggested that the Chinese leadership could have similar political will and vision when coming to joint development in the Spratlys, or for that matter, the South China Sea. Joint development should not be seen as a zero-sum game and there must be a spirit of give and take. With China doing well in the global financial crisis, it could actually afford to be more helpful to other regional states and to reassure its smaller neighbors of its good intentions. After all, there is still a distance between a rising China and a benighted China for historical, geopolitical, ethnic and other reasons. Smaller states still have its residual worries, spoken and unspoken, of the Dragon as demonstrated by their hedging strategy in dealing with the US and China. As such, China still has to do more to allay the fears and build up its goodwill in dealing with ASEAN, especially the South China Sea states in order to strengthen the latter's confidence in Beijing. Thus leading the way to find an acceptable project and acceptable area for profit sharing and mutual benefit with one or more claimants would reap not only economic but also political benefits for China. Of course, this is easier said than done. However, it could be cautiously optimistic to predict that if one or two projects manage to take off, then joint development begets joint development and cooperation begets cooperation because of the demonstration effect and the practical results. As a regional power and aspiring world power, it would help if China is seen to be not only talking about trade and investment, but also trying to win the hearts and trust of other states, particularly those in Asia. It remains to be said that it takes two to tangle. If and when China really wants to push for joint development in the Spratlys, it needs to attract or convince the other claimants to come on board for mutual benefit.

and Implementation in China: China-ASEAN Free Trade Agreement, Ph. D dissertation submitted to the Department of Political Science, National University of Singapore, 2007, pp. 141-261.