

China-Philippines Joint Development of Hydrocarbons in South China Sea: Prospects and Issues

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Last month President Xi Jinping paid a visit to Philippines to consolidate bilateral relationship in that he signed a number of agreements with Manila. While Duterte expected to gain multiple economic benefits from the visiting dignitary his hopes were belied. Multibillion dollar promised by China to Manila was nowhere to be seen. One of the major expectations from Xi's visit was to reach an agreement on joint development of resources in the maritime domain especially the joint exploration of disputed maritime areas. Though there was a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development signed between Philippine Foreign Affairs Secretary Teodoro Locsin Jr and Chinese Foreign Wang Yi the details of the same were not very clear. Earlier, some details of the proposed MOU seem to have been leaked to the media. Evidently, there was much controversy on the issue in the media and public because such exploration and its avowed terms and conditions not only violates Philippines Constitution but also its national interests.

Duterte's government has been criticized for lack of transparency on the issue and has been asked to reveal the final draft of the agreement.

It is not the first time that such proposals have been made or agreements reached between China and Philippines. In 2001 during the then President of Philippines Gloria Arroyo's regime the possibilities of a Joint Development Agreement (JDA) (including Vietnam) in the overlapping areas of claims in South China Sea (SCS) were explored. Further, in 2005 a tripartite Joint Maritime Seismic Undertaking (JMSU) agreement was reached for seismic exploration of the claimed areas for locating oil and gas reserves. Possibly, the major objective of the exercise was to promote mutual trust and confidence before they went in for joint development of the hydrocarbon resources.

It is also useful to note here that in 2002 Vietnam and China were able to reach an agreement of in the Gulf of Tokin which was viewed as an initial step towards a possible JDA. However, neither JMSU nor Gulf of Tokin agreements could lead to creation of confidence and trust especially because of many associated controversies and China's behavior. Questions of selling out in sovereignty and national interests, inclusion of some secret clauses and the nature and scope of the agreement have the impact of creating domestic opposition as also international concerns.

There is also a general perception or rather in many cases it is a reality that largely China does not keep its end of the bargain (this has happened in the case of some agreements with India regarding border and other issues). Apparently, Vietnam also feels that China has not adhered to the Gulf of Tonkin agreement in a substantive manner. Similarly, a JDA proposal between China and Japan of 2008 could not be realized because China started building structures in the claimed areas in 2013. Therefore, China's past record in sticking to deals is not encouraging especially when it comes to territories and resources.

Further, while the terms and conditions of the bilateral MOU of November 2018 which might lead to JDA are not known it is quite likely that China with its dominant position would introduce clauses that would be beneficial to its interests. For instance, in case of JDA between Timor-Leste and Australia on sharing hydrocarbon resources in the disputed areas, despite the fact that 90 percent royalties were given to Timor-Leste all the downstream facilities etc. were undertaken by Australia giving it major benefits.

Additionally, a JDA between China and Philippines besides being in contravention of the Philippines' Constitution could legitimize to an extent China's claims over the disputed areas thus nullifying the PCA verdict of 12 July 2016 against China that rejected its claims on historical rights and so called nine dash line.

On the other hand, the power differential between Philippines and China is very large. Therefore, either it can join China or it could seek support from other powers in pursuance of protecting their interests. In the extant case, the Government of the Philippines would not like to compromise national sovereignty to China. But it does not have the capacity to challenge China's maritime power whenever China takes unilateral actions. Further, it does not perceive that the other powers would be of much help. Therefore, the next best option is to undertake joint development with China so that the Philippines is at least aware what China is up to as also Manila might have access to major portion of resources (depending

upon the terms and conditions of the agreement) which, in any case, are lying unutilized. The most ideal solution would have been to station US forces, but that part is history. Thus, Duterte is hoping to gain from joint development of SCS resources with China.

Lastly, such a deal will also have an adverse impact on ASEAN's unity as other members of the group may also get encouraged to reach an understanding with China. Obviously, this would be retrograde step as China would have achieved its objective of dividing the ASEAN and dealing with each claimant one by one from a position of advantage. Rest of the international community is also concerned about China's assertive behavior and its irredentist approach in the South China Sea.