Gaye Christoffersen  
Resident Professor of International Politics  
Johns Hopkins University, Nanjing Center

Building a Sino-centric Order in Southeast Asia:  
The Energy Dimension of China's Maritime Silk Road  
[Draft]

1. Introduction:
Chinese international relations theory, based on Tianxia [天下], is the foundation for a Chinese view of a Sino-centric order that assumes Chinese economic integration into the peripheral regions surrounding it.¹ These concepts had been discussed in academic circles for more than a decade after which they filtered into government policy in an important meeting in October 2013 on peripheral diplomacy.

On 24–25 October, 2013 the Chinese Communist Party's Central Committee convened a work forum (zuotan) on diplomacy for the land and maritime regions adjacent to China, called the periphery (zhoubian). It was the first work forum to consider China's diplomacy in its periphery and the first forum of this kind on foreign policy since 2006. Xi's proposals to the forum indicated a much more active role for China in Southeast Asia. According to Chinese accounts, the overall objective was to correct mistakes made since 2010 in managing relations with Southeast Asia over territorial disputes. The forum followed several Politburo study sessions attempting to define China's diplomatic strategy. Numerous analysts had prepared position papers on peripheral diplomacy, published in the November/December 2013 issue of Contemporary International Relations [现代国际关系].

China's effort to diffuse this Sino-centric concept of regional order into Southeast Asia was introduced as the Maritime Silk Road during a trip by China's President Xi Jinping in Southeast Asia, also in October 2013. Presented as a vision of China-ASEAN maritime cooperation, a re-opening of the ancient trading route dating back to the Qin, there are promises of Chinese investment in maritime infrastructure and prosperity for all participants.

Chinese President Xi Jinping and Premier Li Keqiang visited five Southeast Asian nations, promoting a Maritime Silk Road for China-ASEAN relations that would increase economic integration, strengthen maritime cooperation, and manage territorial disputes in the South China Sea. Xi pledged to peacefully resolve territorial disputes in the South China Sea. Joint resource development was a key concept in this initiative, touted as a means to peacefully settle territorial disputes.² Despite the emphasis placed on joint resource development, there were few empirical details and few successful examples. During Li's visit to Hanoi, China and Vietnam announced they planned to

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² Hua Yiwen, "Three ideas to make a breakthrough on South China Sea issue," People's Daily Online, October 18, 2013.
formally establish a bilateral workforce for maritime exploration and consultation in order to make real progress on their joint development at the mouth of the Tonkin Gulf.

The Sino-centric order envisions the South China Sea to be part of that order "since ancient times." Implicit in this order is a sense of hierarchy leading to an unrealistic Chinese expectation that smaller countries, because of economic benefits they receive from China, should acquiesce and "obey" China, and should bandwagon with China as its power rises rather than balance against it. This view was clear when Yang Jiechi infamously said in 2010, China is a big country, ASEAN countries are small countries.

Xi Jinping’s new concept of a 21st c. Maritime Silk Road is not entirely new. More than 25 years ago, Chinese analysts promoted what they called the “South China Circle,” a transnational natural economic territory that stretched from South China down to Singapore. After the collapse of the Soviet Union, Chinese analysts also promoted what they called the “Great Islamic Circle,” a natural economic territory that integrated Xinjiang and western China with Central Asia, extending to the Middle East. Currently this is referred to as the “Silk Road Economic Belt.” These concepts, 25 years ago and today, promoting economic integration of China’s border areas with the surrounding periphery, were aimed at China’s nearest neighbors, countries that are most anxious about Chinese economic and military rising power. There was also a Northeast Asia Circle and a Southwest Economic Circle.

Economic integration with China is presented as an economic opportunity for its periphery. The Maritime Silk Road is meant to cast China’s rising power as a source of order in East Asia that can protect the smaller surrounding states. The Maritime Silk Road concept promotes joint resource development as a peaceful means to resolve South China Sea territorial disputes, an alternative to military solutions to secure South China Sea resources. Chinese offers of joint resource development are vague on the details of how joint resource development might occur. Chinese imply that details could be worked out in bilateral dialogue.

The foreign policy strategy for operationalizing the Sino-centric order is the Chinese “cabbage wrapping strategy,” a strategy described by General Zhang Zhaozhong in 2013. Beijing wraps the South China Sea region in an ever growing web of economic incentives, administrative structures and military installations, slowly and incrementally imposing Chinese governance over the SCS. The China-ASEAN FTA has in the past decade promoted webs of economic integration. The Maritime Silk Road initiative is the transport component of the Chinese “cabbage wrapping strategy.” The Maritime Silk Road initiative attempts to create transportation infrastructure and connectivity that binds Southeast Asia more firmly to China.

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The cabbage wrapping strategy and the Maritime Silk Road initiative are means for helping China escape its currently unsuccessful strategy of relying on a 9-dash line and claiming “historic rights” in the South China Sea that no other country recognizes and is not recognized in international law. The continuous wrapping strategy will make it a moot point whether the 9-dash line is recognized by international law.

This paper will suggest that the Maritime Silk Road initiative is insufficient to achieve a peaceful outcome of joint resource development in the South China Sea. What is needed is a roadmap for joint resource development between China and Southeast Asian countries, which requires a maritime crisis management mechanism, and that the model for this mechanism is found in the China-Japan joint resource agreement and the effort at a maritime crisis management mechanism.

The China-Japan mechanism was created to address a key problem--lack of coordination among numerous Chinese foreign policy actors. The thesis of this paper is that a crisis management mechanism is a necessary prerequisite, a CBM, for joint resource development. The vision of a Sino-centric order only impedes realization of CBMs.

2. CNOOC and Haiyang 981

 Renewed attention has emerged to concepts of joint resource development, based on the UNCLOS Joint Development Area principle. Various models have been suggested that might be replicated in the South China Sea. Following the crisis over CNOOC's Haiyang Shiyou 981 deep-water oil rig off Vietnam's coast, the worst China-Vietnam crisis since 1988, raised questions over Chinese intent and strategy.

As a carefully planned strategy, CNOOC's use of Haiyang 981 off the coast of Vietnam makes little strategic sense if it is the policy of a unitary actor. Vietnam had been the only Southeast Asian country willing to engage in bilateral dialogue on overlapping resource claims in the South China Sea. Since the Haiyang incident, Hanoi has decided to not rely only on bilateral dialogue with Beijing but also within an ASEAN multilateral dialogue.

Ely Ratner has argued that there is a very dangerous possibility that Chinese security policy has become "untethered from strategic logic." Ratner believes the Chinese Foreign Ministry no longer manages the foreign policy process but rather "domestic bureaucratic interest groups and nationalist public opinion are driving Chinese foreign policy toward over-expansion of sovereignty claims" to an extent that is harmful to Chinese national interests.

There is an extensive debate on how many Chinese foreign policy actors are involved in the South China Sea disputes. The PLA-Navy seems determined to be the sole actor. A retired PLA officer has asserted that the SCS is a domestic security issue, making it an issue solely for the PLA Navy and not for the Chinese Foreign Ministry which is in

7 Ibid.
charge of foreign relations.\textsuperscript{9} The Chinese Foreign Ministry, however, is in charge of negotiating a SCS Code of Conduct between China and ASEAN. Disagreements and jurisdictional disputes between the Chinese Foreign Ministry and the PLA over the South China Sea can be traced back to the 1992 drafting of the Chinese law on territorial waters.\textsuperscript{10}

The thesis of a bureaucratic politics model applied to China requires modification to take into account the way in which various foreign policy actors compete for the attention of the supreme leader, gaining his blessing for their approach which they are then hard pressed to demonstrate is a successful approach. Full treatment of this issue is beyond the scope of this paper other than to note that a maritime crisis management mechanism needs to coordinate these Chinese actors.

4. Concepts of Joint Resource Development

The concept of joint resource development emerged for the East China Sea when Deng Xiaoping had suggested shelving boundary disputes and jointly developing resources to Japanese counterparts in 1978 although it is not included in formal documents.

The Chinese approach to joint resource development has relied on the concept of historic rights as a basis to territorial claims which Chinese would like UNCLOS to support. However, as Zou Keyuan has noted, the UN ILC did not provide a conclusive concept of historic rights. UNCLOS III did not discuss historic rights or historic waters except in bays. Zou acknowledges that “the theoretical problem with regard to the concept of historic waters has not yet been resolved.”\textsuperscript{11} Zou claims that it is covered in international customary law, and in practice, states pass domestic legislation and negotiate bilateral agreements on their historic rights and waters. He argues that Chinese domestic law should apply to the disputed territories in the South China Sea.

Zou states that the most feasible means to shelving a dispute is by joint development pending a settlement of overlapping territorial claims. He defines joint development as an agreement between two countries on overlapping maritime areas; a provisional arrangement pending settlement of boundary delimitation; for the purpose of jointly developing mineral resources in a disputed area.\textsuperscript{12} There are three types of joint resource development: 1. with boundaries delimited; 2. with boundary delimitation left unresolved, shelved to the future; and 3. unitized joint development across a boundary line.

China claims “historic rights” a broader concept than “historic waters” which is not a claim of full sovereignty, and further asserts that historic fishing rights to a territory can be transferred to historic rights to non-living resources such as minerals. This has been challenged.

\textsuperscript{9} 3\textsuperscript{rd} MIMA international conference on South China Sea, September 2014, Kuala Lumpur.
\textsuperscript{11} Zou Keyuan, “Historic rights and joint development with special reference to the South China Sea,” in Recent Developments in the South China Dispute: The Prospect of a Joint Development Regime, Wu Shicun and Nong Hong, eds. (New York: Routledge, 2014), p. 66.
\textsuperscript{12} Zou, Ibid., p. 70-71.
Zou contends that the concepts of “historic rights” and “joint development” are complementary and are generally supported by UNCLOS despite UNCLOS III not mentioning historic rights or historic waters. Continual Chinese reference to its historic rights in the South China Sea has not persuaded other claimant states, all of whom assert they rely on UNCLOS to make their claims.

In Southeast Asia, the Workshop on Managing Potential Conflict in the South China Sea (SCSW), hosted by Indonesia and meeting annually since 1991, has a Working Group on Resources Assessment and Ways of Development which studies joint resource development. It has studied various models of joint development established throughout the world. The 23rd SCSW met in Yogyakarta in 2013. The purpose of the SCSW continues to be promotion of CBMs and ways to manage potential conflict through cooperation and joint development.

Joint resource development is often mentioned by claimants to disputed territories in the South China Sea, but with conditions that other claimants would find unacceptable. China's condition for joint development is recognition of Chinese sovereignty over the disputed territory by other claimants. No Southeast Asian nation has accepted this precondition.

On August 19, 2014, while protesting Chinese vessels conducting "sovereignty patrols" on Reed Bank, the Philippines Department of Foreign Affairs spokesman Charles Jose added that the Philippines would consider joint development with China “provided it will be under our terms and under our laws, it will be in compliance with the Philippine Constitution and applicable laws of the Philippines.” China would never accept this precondition. Joint seismic surveys may be easier to arrange. The 2005 China-Vietnam-Philippines joint seismic survey did not entail preconditions.

The concept of joint resource development is used as a CBM to build trust and to shelve a dispute for future resolution, as an alternative to a military clash over disputed territory.

UNCLOS in Articles 74(3) and 83(3) states that:

Pending agreement as provided for in paragraph 1, the States concerned, in a spirit of understanding and cooperation, shall make every effort to enter into provisional arrangements of a practical nature and, during this transitional period, not to jeopardize or hamper the reaching of the final agreement. Such arrangements shall be without prejudice to the final delimitation.

In practice however, joint development arrangements convey a degree of legitimacy to unilateral maritime claims. When claimant states have made ambiguous and excessive claims, as they have in the South China Sea, it is difficult to define the maritime

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13 Zou, Ibid., p. 72-75.
14 Hasjim Djalal, "The Joint Development Concept in the South China Sea Workshop," in Recent Developments in the South China Sea Dispute, 151-159.
boundaries of the joint development areas. If these states were to base their claims on UNCLOS, greater clarity might allow for joint development.

China's 9-dash line, in particular, is a unilateral claim based on historic rights rather than UNCLOS. Chinese themselves have not been clear on the meaning of the 9-dash line with at least four Chinese interpretations. The Chinese domestic debate over these alternative interpretations might eventually produce a more coherent understanding of the 9-dash line for both Chinese and outsiders. However, some analysts believe China cannot clarify its South China Sea claims because it would entail difficult domestic political compromises and reconciliation of conflicting bureaucratic interests, and would enflame Chinese nationalists.

In May 2009, the Philippines, Malaysia and Vietnam clarified their South China Sea claims in their submissions to the Commission on the Limits of the Continental Shelf (CLCS), bringing them into conformity with UNCLOS. At that time, China submitted to the CLCS a map of the South China Sea with the 9-dash line and insufficient explanation of what it meant.

A US State Department analysis on the 9-dash line pointed out that China has never clarified the nature of the claims in the 9-dash maps it has issued. The dashes on the 1947 map do not match the dashes on the 2009 map. China has never issued precise geographic coordinates for the dashes. It is not clear if Chinese maritime claims are based on geographic features.

Joint development is difficult because there is no agreement on which features in the South China Sea are islands and which are rocks. Islands are entitled to their own maritime zone while rocks are not. Both China and Southeast Asian claimants have built man-made structures on rocks in order to try to change their status which UNCLOS does not recognize. Jointly determining the status of each feature and the maritime zones it would generate would help define the area in dispute and reach agreement on the zone for joint development.

China's National Institute for South China Seas Studies promotes the concept of joint development. The Institute held a forum, "South China Sea: Seeking Win-Win and Cooperation" in conjunction with the Boao Forum in April 2014. A 2012 conference, "Recent Development of the South China Sea Dispute and Prospects of Joint Development Regime," produced a book with the same title. Despite these efforts, China has not been able to create the necessary prerequisites for a joint resource

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18 Li Mingjiang, ibid.
19 Mark Valencia, "The South China Sea Disputes: Recent Developments," in Recent Developments in the South China Sea Dispute, p.7
21 Robert Beckman, "The Legal Framework for Joint Development in the South China Sea, in Recent Developments in the South China Sea Dispute, p. 57-58.
development agreement in the South China Sea, and cannot entice Southeast Asian claimants to participate.

5. South China Seas Potential Oil and Gas Resources

Chinese have consistently overstated the South China Sea resource potential. In 1993/1994 the USGS estimated discovered reserves & undiscovered resources in the offshore basins of the SCS at 28 billion bbl. China estimated potential oil resources at 213 billion bbl. In 2012 U.S. Geological Survey (USGS) estimated 12 billion bbl of oil and 160 tcf of gas might exist as undiscovered resources in the South China Sea; but are not considered commercial reserves. In November 2012, CNOOC estimated the area holds around 125 billion bbl of oil and 500 tcf of natural gas in undiscovered resources.

Most recently in 2013, the US DOE EIA estimated the South China Sea had 11 billion bbl of oil and 190 tcf of natural gas in proved and probable reserves. The EIA noted that conventional hydrocarbons were primarily in the undisputed areas, and disputed areas of the Spratly Islands have virtually no proved or probable oil reserves. EIA noted that the Paracel Island territory does not have significant discovered conventional oil and gas fields and thus has no proved or probable reserves. Due to the lack of exploratory drilling, there are no proven oil reserve estimates for the disputed areas of the Spratly or Paracel Islands. The extent of unexplored areas should motivate joint seismic survey in the disputed areas.

To foreign audiences, CNOOC presents itself as reluctant to explore in disputed areas and claims it is being pressured by nationalist fervor over sovereignty issues in the South China Sea. To domestic audiences, CNOOC presents itself as a champion of China's SCS interests. In 2012, CNOOC CEO Chairman Wang Yilin, promoting CNOOC domestically as a strategic asset, declared "Large-scale deep-water rigs are our mobile national territory and a strategic weapon," leading many Chinese to view CNOOC as excessively aggressive. Mr. Wang was referring to the Haiyang Shiyou 981 (HYSY 981) deep-water oil rig. CNOOC indicated it would use its platforms to incrementally wrest control of offshore areas in the South China Sea, eventually establishing authority and control. The Chinese media echoed this sentiment that the deep-water oil rig was a game changer and would enhance China's capacity to wrest control over disputed maritime resources from other regional claimants.

Conversations the author heard in Beijing in July 2014 indicated that the rhetoric of CNOOC and other Chinese foreign policy actors have had an impact on popular consciousness. Chinese analysts have stated that:

"Chinese living standards depend on oil & gas from the South China Sea";

"A threat to energy interests is a threat to ‘core interests’";

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25 Li Qian, "Mega oil rig changes game," Global Times, May 24, 2011.
"the PLA is under nationalist pressure to seize islands in East China Sea and South China Sea"; the idea of physical control of oil and the military path to energy security is very popular in China;

Chinese have much faith in the “power transition”—China will become more powerful than the US based on rising GDP. They believe that the “power transition is necessary to control maritime energy resources.”

This idea that the power transition will allow China access to South China Sea resources is based on extraordinary hype heard in China since the 2008 financial crisis that the US is in decline which influences Beijing's foreign policy choices in its near seas.26

None of the analysts presenting these ideas had any concrete data on South China Sea proven resources. The South China Sea had become part of a Chinese dream that the area would be a "Maritime Daqing" [海上大庆]27 leading to Chinese overestimations of SCS oil and gas potential reserves. There is little evidence outside of Chinese claims to support the view that the disputed areas contain extensive oil resources and these Chinese claims have not been verified.

A narrow focus on the terms of China-Southeast Asian joint resource development cannot explain China's foreign policy behavior in the region. It is necessary to widen the focus to consider the domestic and regional political context to understand the drivers of China's approach to territorial disputes in the South China Sea.

6. 18th Party Congress – China is a maritime power

China’s 18th Party Congress in November 2012 revealed China’s fifth generation leadership and a new maritime identity for China.28 This announcement came after a long, protracted domestic debate on whether China should become a blue water maritime power. This was linked to other debates on whether the South China Sea represents a core interest, whether China should continue to adhere to “tao guang yang hui”, and what China's maritime strategy should be.

There are different explanations as to which domestic interests would promote China as a blue water maritime power. Some analysts would argue that it was a structural transformation: China’s identity has shifted from that of a developmental state to that of a trading state with a large percentage of GDP accounted for by exports. It is the domestic political economy that is the driver in the construction of a trading state identity which must of necessity become a maritime power.29 Other analysts might argue this was the outcome of policy deliberations by the leadership, a much debated strategic choice. Still others would identify a coalition of domestic interests that sought to transform China’s identity to that of a maritime power--CNOOC, civilian maritime agencies, PLAN, coastal provinces, and the fisheries industry. It is not a policy choice

26 Zha Daojiong, "China must see past its own hype of an America in decline," South China Morning Post, Comment, Insight & Opinion, 18 June, 2014
that emerged solely from the Chinese Foreign Ministry. A bureaucratic politics model can best explain the domestic debates over maritime strategies and core interests, and center-local bureaucratic differences and civil-military organizational differences. Liu Mingfu’s book, *China Dream: Major Power Thinking and Strategic Posture in a Post-American Era*, called for China giving up *taoguang yanghui*, building an even stronger military, and more assertively defending its core interests (核心利益). Liu is based at the National Defense University.

The debates defined China’s maritime interests according to whether they were near seas or far seas. In the “Near Seas,” the East China Sea and South China Sea, China was focused on resource exploitation with numerous territorial disputes and driven by popular nationalism. In the “Far Seas,” such as the Indian Ocean, China’s maritime interests were primarily SLOC security. International cooperation and harmonious seas were more possible.  

Since the 1970s when Deng Xiaoping suggested shelving disputes and joint resource development, the concept of shelving disputes has been associated with Deng's concept of "taoguang yanghui" [bide your time and hide your lights; keep a low profile].

A debate over whether or not to abandon *taoguang yanghui*, proposed by a group that wanted a more activist foreign policy, under the rubric of Chinese traditional Confucianist political thought, would lead to visions of a Sino-centric order and include a more activist naval strategy. They were opposed by the Chinese School which adhered to *taoguang yanghui*, with a less assertive naval strategy. The traditionalist group believed that expanding China’s soft power through Confucianist political thought would facilitate expansion of hard power in the form of a blue water navy. Other analysts have argued similarly that there was a need for increased soft power to balance the anxieties produced by China’s hard power.

The Chinese Foreign Ministry advocated adhering to *taoguang yanghui* and promoting maritime cooperation including efforts at “shelving disputes and joint development” in contrast to a new assertiveness supported by the PLA-N and civilian maritime law enforcement agencies.

China securitized its oil import dependence around the year 2000 as imports rapidly increased. Beijing could have securitized oil import dependence much sooner or perhaps might never have securitized it. Securitization led to the Chinese national oil companies (NOCs) "going out strategy", investing in oil-rich countries in Africa, Central Asia, Latin America, and Southeast Asia. It is most likely that the Chinese NOCs promoted securitization of China’s oil import dependence but this still requires further research.

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The PLA, CNPC, and CNOOC appear to be the foreign policy actors promoting the idea of abundant resources in the South China Sea which supported an ambitious maritime policy. This "naval nationalism" is driven by the regime's search for legitimacy and fear of social instability but is not a strategy for promoting China's overall national interests.34

In Chinese publications there has been a greater than expected diversity of Chinese views on the proposed Chinese maritime strategy, from moderate to belligerent.35 The result of these debates included:

- Chinese indecision on whether to rely on international law or not led to ambiguity in claims to the SCS;
- The debates undermined the Chinese Foreign Ministry's authority to define China's foreign interests; Chinese policy making became "a series of different agendas pursued at different times in different ways by different actors."36
- The vision of a Sino-centric order incorporated the surrounding near seas, the East China Sea and the South China Sea, into indisputable Chinese sovereign territory since ancient times.

Lack of domestic consensus led to lack of foreign policy coherence. China was never unified sufficiently to publish an official Maritime Strategy. In mid-2011, China's leaders took two domestic measures: they ordered the PLA-N to be more moderate, and the Foreign Ministry to provide stronger policy guidance to the numerous maritime actors. The maritime law enforcement agencies were required to inform the Foreign Ministry of their plans to engage foreign ships or enter disputed territories.37

A Chinese analyst argued that lack of domestic agreement on China's ocean policy continued to require several co-ordinations to achieve a "Harmonious Ocean" policy within Chinese maritime strategy: China needed to reconcile domestic maritime law with international maritime law, coordinate maritime law enforcement agencies to counter the "Five Dragons Stirring Up the Sea" problem, better coordination between military and civilian agencies in charge of these issues, and better coordination of Chinese national security concerns with concerns of ASEAN, Japan and the US.38 The numerous civilian maritime agencies were incorporated into the Chinese Coast Guard under the State Oceanic Administration in 2013 but civilian-military coordination remained problematic.

The PLA remains a strong proponent of the 9-dash line. At the 2014 Shangri-La Dialogue, PLA Deputy Chief of Staff, General Wang Guanzhong presented a six-point justification on the legitimacy of the 9-dash line during the Q&A session. Wang's

37 ICG. "Stirring up the South China Sea (I)," *Crisis Group Asia Report N°223*, 23 April 2012 p. 32-33.
38 Yang Mingjie, Global Review October 2011, Shanghai Institute of International Studies, www.siis.org.cn/Sh_Yi_Cms/Mqzl/.../20121916530B210.PDF, Yang Mingjie is vice president of the China Institute of Contemporary International Relations in Beijing
argument relied on the standard refrain that China has historic rights to the South China Sea and Chinese claims pre-date UNCLOS.\textsuperscript{39} He did not clarify exactly what China was laying claim to in the South China Sea, although he was repeatedly challenged from the audience to explain the 9-dash line.

Wu Shicun noted that the US and Asia pressured China to clarify because "They worry that when China becomes strong one day, and is able to define the nine-dash line as it wishes, they are powerless to do anything about it."\textsuperscript{40} This appears to be the PLA’s solution of working around the impossible claim of the 9-dash line--simply await the power shift in East Asia whereupon it expects Southeast Asia will bandwagon with China.

A Chinese analyst notes that China has made a cost-benefit analysis regarding its unilateral actions in the South China Sea, and has concluded the benefits of its low-intensity coercion in the South China Sea outweigh the costs, and that Chinese claims in the South China Sea can only be achieved through coercion since the 9-dash line cannot be justified within UNCLOS. The analyst claims this is a new calculation for China.\textsuperscript{41}

7. China-Japan model of joint resource development and multilayered crisis management mechanism

In 2007, Japan and China agreed to create a crisis management mechanism. This was a necessary prerequisite, a CBM, for signing a joint resource development agreement the following year. The joint development agreement is not now in effect and the crisis management mechanism has not proven effective. Yet the mechanism’s structure is worth considering as it was shaped to address the problem of multiple Chinese foreign policy actors.

Bilateral joint resource development is generally associated with both sides shelving territorial disputes. In June 2008, China and Japan appeared to agree to jointly develop resources in the East China Sea and implicitly agreed to shelve their boundary dispute. The title of the 2008 agreement was \textit{2008 China-Japan Principled Consensus on the East China Sea Issue}. The agreement was about allowing Japanese companies to invest in China’s development of the Chunxiao oil and gas field.

The Japan-China joint resource development agreement gradually eroded. By 1992 China had passed a domestic Territorial Law and the Japanese Foreign Ministry denied that there was an agreement to shelve the dispute and that there was no dispute. In the 2008 joint development agreement, China sought joint development around the Senkaku Islands as part of agreement on joint development in other areas of the East China Sea but Japan did not compromise. After a Chinese fishing boat rammed a Japanese coast guard ship in September 2010, Japanese Foreign Minister Maehara

publicly declared that Japan had no agreement with China to shelve territorial disputes in the East China Sea.42

The idea for a Sino-Japanese crisis management mechanism emerged in Track II dialogues prior to its formal establishment. Within one dialogue, Zhang Tuosheng commented that “the mechanism needs to be multi-level, involving national leaders, the foreign ministries, the defense ministries and think tanks in both countries, and should focus on crisis prevention more than conflict resolution.”43 This kind of multi-level mechanism would attempt to create better domestic coordination on the Chinese side, and would anticipate that continuous unexpected incidents, initiated by local actors and various bureaucracies, would be the norm.

Japan’s Foreign Minister Koichiro Gemba formally proposed a bilateral mechanism for maritime issues and the East China Sea in late November 2011 to Premier Wen Jiabao.44 In December 2011, during Prime Minister Yoshihiko Noda’s trip to Beijing, China and Japan signed an agreement to create a maritime crisis management mechanism, what would be referred to as the “Japan-China High-Level Consultation on Maritime Affairs” [海事に関する日本と中国のハイレベル協議；海上危机管理机制].45

Led by Foreign Ministers, the multilevel crisis management mechanism, the Japan-China High-level Consultation on Maritime Affairs, met on May 16, 2012 in Hangzhou. Chinese and Japanese officials discussed maritime security and the Diaoyu/Senkaku issue. A Chinese Foreign Ministry spokesman claimed "China hopes the mechanism can provide a platform for timely communication on maritime affairs between the two sides," and Chinese experts on maritime law felt "the new mechanism represents a fresh start in resolving maritime issues."46 Both sides agreed to meet again at the end of 2012.

The meeting achieved a Japanese goal to establish contact with representatives from the five Chinese maritime law-enforcement agencies. Japanese felt there was no clear division of labor and responsibilities among them, and no clear line of authority over them, which left them embroiled in a nasty power struggle and turf war. Because of this organizational chaos, Japanese felt these five maritime agencies, when they appeared in the vicinity of the Senkakus, were not under clear lines of authority from Beijing.47 The International Crisis Group had made a similar analysis on China in the South China Sea—it was the lack of coordination among the five maritime agencies that produced increasing Chinese assertiveness over territorial claims.48

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43 “Crisis management mechanism will enhance mutual trust," China Daily, August 22, 2011.
44 “Japan to propose crisis mechanism," Global Times, November 24, 2011.
Japanese Foreign Minister Gemba, at his press conference following the meeting, indicated that the multi-layered mechanism was important, “both Japan and China have seven, eight, or nine such organizations. It is important that those organizations can communicate well to prevent accidental incidents… all these maritime organizations come together in one forum, for close communication each other” within the multi-layered crisis management mechanism.\(^{49}\)

However, in mid-2012 Xi Jinping was put in charge of a new Leading Group for Maritime Security that would govern the near seas and the numerous incidents between China, Japan, the Philippines and Vietnam. From that time, Sino-Japanese relations worsened over the Diaoyu/Senkaku Islands. By September 2012, Xi was in charge of the “Office to Respond to the Diaoyu Crisis” whose goal was to apply escalating pressure to force Japan to admit the existence of a dispute and to demonstrate that Japan did not have control of the islands. On August 29, 2012, a Track 1 & 1/2 seminar was held to commemorate the 40th Anniversary of the Normalization of China-Japan Relations, organized and supported by the Japanese Embassy, the Japan Foundation, the Institute of Japanese Studies of CASS, the Chinese Association for Japanese Studies and the National Assembly of the Japanese Economy from Tokyo.\(^{50}\) The seminar found both sides calling for “a crisis management mechanism to cool down the heated bilateral spats.”\(^{51}\) Hideo Tarumi, Minister of Political Affairs at the Japanese embassy in China, called for the use of the crisis management mechanism as a means to ease tensions which he claimed was absent during the current crisis. He worried about the mechanism’s “breakdown.”\(^{52}\)

In October 2012, the existence of the maritime crisis mechanism was denied by the Chinese Ministry of Defense after a report by Sankei Shimbun claimed Chinese ships passing through the Miyako Strait without prior notification had violated agreements made within the May 2012 meeting for a crisis management mechanism.\(^{53}\) Also in October 2012, Chinese Foreign Ministry organized a talk in Hong Kong with a speaker who claimed there was a need for China and Japan to form a mechanism to avoid maritime incidents or clashes near the Diaoyu Islands between Chinese and Japanese patrol vessels. He offered several principles on how to resolve the crisis, including joint exploration, peaceful settlement, and claimed that Beijing did not seek to recover all lost territory but instead would engage in compromise.\(^{54}\)

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Throughout 2012 and 2013 Japanese leaders would refer to the crisis management mechanism, hoping to revive it and operationalize it but there was never another meeting until September 2014. The Sino-Japanese joint resource development initiative failed yet the concomitant Sino-Japanese maritime crisis management mechanism addressed a major dilemma in managing maritime issues with China: coordinating the numerous Chinese foreign policy actors, especially the Foreign Ministry and the PLA-N.

Although the crisis management mechanism has not yet been institutionalized, its format can contribute to broad regional learning, and strengthening epistemic communities in support of regional cooperation in further institutionalization. Crises produce a critical juncture from which new institutions are created.55 Often times, these new institutions are reviving previously failed initiatives. There is a certain path dependence to East Asian institutionalization, i.e., Japan’s, ASEAN’s and China’s previous organizational experience suggests potential options available for subsequent institutional design.

During the Haiyang 981 incident, under assumptions of a Sino-centric order, Xi Jinping pressed Myanmar, as the chair of ASEAN meetings in 2014, to side with China in the territorial dispute. Myanmar declined, choosing to side with ASEAN, and differentiating itself from Cambodia which did side with China on the South China Sea disputes when it was chair in 2012.56

8. Spring 2014 Chinese National Defense University’s new model of crisis management. Russian President Vladimir Putin presented an alternative model of resolving territorial disputes when he invaded the Crimea and seized it from Ukraine. Putin is widely admired in China for his assertiveness. The Chinese PLA National Defense University Crisis Management Center [国防大学危机管理中心] found the Putin Model attractive, suggesting China could emulate it in the East China Sea and the South China Sea. The PLA National Defense University is known to have a group of hardliners who call for a more aggressive Chinese security policy. The proposed model suggested that the PLA become more assertive in seizing control of territory. The Chinese Foreign Ministry would then be tasked with cleaning up afterwards, using diplomacy to manage the fallout.57

The University’s Political Commissar, General Liu Yazhou, had in January 2014 advocated a limited war in the South China Sea to seize disputed territory in an interview with Guofang Cankao. General Liu thought the South China Sea offered a “strategic opportunity” for the PLA-N to test its capabilities.58

The May 2014 CNOOC use of the Haiyang 981 deep-water oil rig off the coast of Vietnam in disputed territory appears to follow this model. The principle Chinese foreign

57 Yang Yucai, "Russia sets example of strong crisis management with firm legal basis," Global Times, April 21, 2014.
58 Minnie Chan, “Fighting in East, South China Seas would test PLA prowess, general says,” South China Morning Post, January 16, 2014.
policy actors were CNOOC, the State Oceanic Administration, and the PLA-N. The Chinese Foreign Ministry was brought in afterwards to manage the tensions in Hanoi-Beijing relations. This type of crisis management is unrelated to peaceful joint resource development. Understanding the situation from the perspective of the Sino-centric order, Chinese leaders were genuinely surprised at the outpouring of Vietnamese anti-Chinese protests and the lack of Vietnamese acquiescence.

As Putin faced increasing economic sanctions for seizure of Crimea and incursions into Eastern Ukraine, his style of solving territorial disputes became less attractive. Nevertheless, there are two possible models of Chinese crisis management mechanisms which ASEAN must confront--one led by the Foreign Ministry and one led by the PLA.

9. **South China Sea adaptation of East China Sea multilayered crisis management mechanism.**

Joint resource development can only take place within a rule-governed region based on the UNCLOS Joint Development Area principle. ASEAN has indicated support for a rule-governed region based on UNCLOS, a Code of Conduct in the South China Sea, and a Declaration on the Conduct of Parties in the South China Sea (DOC), and ASEAN centrality. The Sino-centric order and ASEAN centrality are on a collision course. The July 2012 ASEAN Foreign Ministers’ meeting demonstrated how incompatible the two visions of regional order could be.

In May 2014, in response to the Haiyang 981 incident, ASEAN Foreign Ministers expressed their concern, urging all parties to abide by UNCLOS principles and called for implementation of ASEAN's Six-Point Principles on the South China Sea and the DOC to increase trust and confidence.

The DOC and COC are negotiated by the Chinese Foreign Ministry and are meant to contribute to a rule-governed region. However, given the current state of numerous Chinese foreign policy actors, China-ASEAN relations need a multilayered, maritime crisis management mechanism, similar to the Sino-Japanese mechanism, which would coordinate these various Chinese foreign policy actors: the PLA Navy, the State Oceanic Administration, CNOOC, local-level administrations, and the Chinese Foreign Ministry.

There are numerous initiatives to manage crises. Indonesia's former Foreign Minister Marty Natalegawa has demonstrated an Indonesian role as mediator and facilitator of negotiations. In February 2014, ASEAN defense officials had discussed measures for crisis management including establishing a direct communication link, or hotline, which it was hoped would prevent escalation of maritime disputes in the South China Sea. Chinese analysts advocate formation of a crisis management mechanism. Foreign analysts also recommend forming a crisis management mechanism. A China-ASEAN multilayered crisis management mechanism would be an additional tool.

The crisis management center at the China National Defense University had an approach in spring 2014 that capitalized on Putin’s popularity in China and on Putin’s

60 Mark Valencia, p. 12.
success in seizing Crimea. However, the Haiyang gambit, as an imitation of Crimea, was an abysmal failure, and the impact of subsequent sanctions on the Russian economy make the Crimea seizure less attractive. Little is now heard from the NDU crisis management center.

The UNCLOS legal approach to territorial disputes has been pursued by the Philippines. In December 2014, the Chinese Foreign Ministry, although not participating in the Philippines legal case before the UNCLOS Tribunal, felt compelled to issue a statement reiterating its claim to historic rights to the SCS which it hoped would send a message to the Tribunal. This Chinese historic rights claim continues to fail to persuade foreign audiences. The Foreign Ministry appears not to be a favored foreign policy actor in the South China Sea.

CNOOC’s Haiyang 981 gambit in Vietnam’s waters was a variant on the cabbage wrapping strategy that went very wrong. CNOOC’s claim that it could secure control over disputed maritime territory with its deep-water oil rig is now in question. In December 2014, Vietnam submitted its own position paper to the UNCLOS arbitration tribunal, eliciting an angry response from Beijing.

Xi Jinping’s economic cabbage wrapping strategy, the Maritime Silk Road, appeared to be his favorite in fall 2014 going into winter 2015. Xi has proposed an AIIB to fund maritime-related infrastructure. Southeast Asian countries are expected to apply to the AIIB and in the process, to acquiesce to Chinese proposals for joint resource development.

Given Southeast Asia’s penchant for hedging, most countries could be expected to both accept loans from AIIB for infrastructure, including Vietnam and the Philippines, and continue to resist Chinese claims in the SCS. If Southeast Asia manages to take advantage of the Maritime Silk Road without resolution in the SCS, the initiative may lose Xi Jinping’s favor.

In the end, however, a China-ASEAN maritime crisis management mechanism will have to be devised that tries to organize and coordinate all of these Chinese foreign policy actors.

10. Conclusion
This paper identifies several factors that are driving China’s interest in South China Sea energy resources and several approaches Beijing is using to resolve disputes on terms favorable to itself:

- Chinese belief in a future power shift in the South China Sea which expects China to displace the US in the region and facilitate access to energy resources
- China’s emerging identity as a blue water maritime power
- China’s shift away from taoguang yanghui
- Securitization of China’s oil import dependence
- A coalition of foreign policy actors--PLA Navy, CNPC, and CNOOC--that promoted the idea that the South China Sea had abundant resources and would become a "Maritime Daqing" [海上大庆]
The belief that "Chinese living standards depend on oil & gas from the South China Sea" although oil and gas from the South China Sea would meet only a small percentage of Chinese oil demand

The belief that "A threat to energy interests is a threat to core interests" which means China must rely on military means to attain energy security

Beijing's failure to formulate a coherent maritime strategy which allows various bureaucratic interest groups and foreign policy actors to publicly promote their own narrow interests

Beijing's formulation of its October 2013 Peripheral Diplomacy and the declaration of a Maritime Silk Road through Southeast Asia

Chinese hesitation and indecision on whether to promote its maritime interests using the logic of UNCLOS or to rely on a non-UNCLOS logic of historic rights

The influence of Vladimir Putin on the PLA National Defense University, i.e., Putin resolved territorial disputes by militarily seizing Crimea, implying the PLA should become more assertive in seizing control of disputed territory

None of these factors depend on empirical data on the proven oil and gas resources in the disputed areas of the South China Sea. CNOOC has already acknowledged that it did not expect the Haiyang Shiyou 981 deep-water platform to find commercially viable oil resources off the coast of Vietnam.  

The path for moving forward would be to conduct joint marine surveys to clarify the existence of hydrocarbon resources in disputed areas in the South China Sea. This would be especially helpful for Chinese analysts, decision makers, and the public which have been subjected to too much hype on the South China Sea.

This kind of joint marine survey is ongoing. The 2013-2023 International Ocean Discovery Programme (IODP) from Jan-March 2014 conducted marine surveying. There were 31 scientists from 10 countries/regions; 13 from China, 9 from US and 1 from Taiwan working collaboratively. They drilled at three sites for sediment and rock cores. This was on an American scientific drill ship JOIDES Resolution. China funded 70% of the survey. Survey appears to be doing basic scientific research but Chinese hope it will pave the way to map oil and natural gas fields in South China Sea.

The marine survey would resolve the issue of whether promising oil and gas reserves actually exist in the disputed areas of the South China Sea. The larger problem of numerous foreign policy actors promoting different solutions to how China can extricate itself from unpersuasive claims of a 9-dash line and historic rights to the South China Sea, remains unsolved. The Central Conference on Work Relating to Foreign Affairs, held November 29, 2014, mentioned the need to improve coordination of foreign affairs departments and mechanisms. The Conference reviewed China’s neighborhood

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61 Carl Thayer, "4 Reasons China Removed Oil Rig HYSY-981 Sooner Than Planned," The Diplomat, July 22, 2014.
62 Beckman, Ibid. p. 59-60.
diplomacy along its periphery, emphasizing the 21st c. Maritime Silk Road and the need for a peaceful approach on its periphery.  

Underlying each policy approach is a vision of a Sino-centric order that incorporates the surrounding near seas into indisputable Chinese sovereign territory since ancient times. This vision has expectations that Southeast Asian nations will acquiesce to a hierarchical East Asian order. 

Southeast Asian nations have expressed interest in the AIIB, including Vietnam and the Philippines. However, ASEAN acquiescence to Chinese cabbage wrapping strategies in a Sino-centric order is not a certainty. Li Keqiang, at the 17th ASEAN-China Summit in November 2014, referred to the 21st Century Maritime Silk Road and a multi-pronged strategy, “promoting political and security cooperation and economic development in parallel, and the seven priority areas that include the political field, business, connectivity, finance, maritime cooperation, security and the people-to-people, scientific and environmental field.” Li proposed that 2015 be “the year of China-ASEAN maritime cooperation.” 

At the November 2014 East Asian Summit, Indonesia made it clear that it had its own maritime infrastructure strategy which needed to be reconciled with China’s Maritime Silk Road. This could only happen by situating the AIIB in Jakarta, implying China’s MSR needed to conform to other ASEAN-led initiatives. 

China and Indonesia co-hosted an ARF Seminar on Sea Lines of Communications (SLOCS) Security that met in Beijing, December 7-9, 2014, with representatives from the PLA National Defense University and the PRC Ministry of Foreign Affairs. There were 90 representatives from 19 ARF countries discussing SLOC security cooperation. Chinese Assistant Foreign Minister Zhang Kunsheng stressed the importance of settling maritime disputes through dialogue and consultation. General Liu Yazhou, Political Commissar at the Chinese NDU, also participated. General Liu, considered hawkish, had earlier advocated a limited war in the South China Sea. These two individuals represented the very different approaches taken by the Foreign Ministry and PLA to the South China Sea disputes. Three weeks later Zhang Kunsheng was arrested for corruption, not necessarily related to the meeting. General Liu as a PLA princeling, son-in-law of former president Li Xiannian, is considered to be exempted from corruption probes.

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66 C.P.F. Luhulima, “Superimposition of China’s ‘silk road’ and Indonesia’s maritime fulcrum,” The Jakarta Post, 15-12-2014; The writer is at the Centre for Political Studies, Indonesian Institute of Sciences (LIPI), Jakarta.
Premier Li again broached the Maritime Silk Road and the year of China-ASEAN maritime cooperation in 2015 to Thai Prime Minister Prayut Chan-o-cha on December 22, 2014 and seemed to get a positive response. Thailand is not a claimant in the South China Sea territorial disputes.

The Chinese Ambassador to ASEAN in December 2014 once again proposed to Indonesia “the year of China-ASEAN maritime cooperation” in 2015 bringing “the coastal people of the South China Sea” together through various functional cooperation projects facilitated through AIIB loans. An Indonesian researcher, referring to the Maritime Silk Road, suggested China “integrate into the regional security architecture” and utilize “the multilateral approach in resolving disputes.” The implication was that the Maritime Silk Road could not be used to undermine ASEAN centrality. As 2015 arrived, it appeared that the year of China-ASEAN maritime cooperation was still under discussion.

Chinese theories of IR that focus on a Sino-centric order are not helpful in resolving territorial disputes. Resolution requires negotiations between sovereign nation states on the basis of international law. The Sino-centric order will not be persuasive with Southeast Asian nations as this Chinese vision of order is a direct challenge to ASEAN centrality.

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