

The South China Sea Arbitration and Its Implications for ASEAN Centrality

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I The Obscure South China Sea Dispute

The South China Sea (SCS) dispute is not only a struggle among countries in the area for sovereignty over various land features, territorial waters, and underwater natural resources, but also the focal point of great power politics. The international dispute over the SCS has been going on for decades. The Declaration on the Conduct of Parties in the South China Sea (DOC), signed by China and the ASEAN countries, has no binding power.² Since the DOC was signed, the SCS has continued to be the focus of traditional and non-traditional security threats.³ There have been intermittent conflicts and standoffs between fishing boats and government vessels, including the cutting of the cables of Vietnamese and Filipino fishing boats by Chinese coastguard vessels.⁴

The majority of the most prominent conflicts within the region involve China, on the one hand, and either Vietnam or the Philippines, as Beijing views the SCS as its “traditional sphere of influence.”⁵ In April 2012, there was

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2 CHRISTOPHER B. ROBERTS, *ASEAN REGIONALISM: COOPERATION, VALUES, AND INSTITUTIONALISM* (2012) 74–81.

3 David Rosenberg, *The Maritime Borderlands: Terrorism, Piracy, Pollution, and Poaching in the South China Sea*, in JAMES CLAD, SEAN M. McDONALD, AND BRUCE VAUGHN, eds., *THE BORDERLANDS OF SOUTHEAST ASIA: GEOPOLITICS, TERRORISM, AND GLOBALIZATION* (2011) 107–127.

4 Jeremy Page, *Vietnam Accuses Chinese Ships*, NEW YORK TIMES, 3 December 2012, available at: <https://www.wsj.com/articles/SB10001424127887323717004578157033857113510>; Thu Chung, *Chinese Boats Intrude Vietnam's Waters, Cut Cables Again*, VIETNAM BREAKING NEWS, 31 January 2017, available at: <https://www.vietnambreakingnews.com/2017/01/chinese-boats-intrude-vietnams-waters-cut-cables-again/>.

5 Carlyle A. Thayer, *China and Southeast Asia: A Shifting Zone of Interaction*, in Clad, McDonald, and Vaughn, *supra* note 3, at 235.

a ten-week standoff between Chinese and Filipino naval vessels in the Scarborough Shoal.⁶ This incident could easily have escalated, as it also affected China's relations with the United States (U.S.). In 2014, while a Chinese oil platform, the HD 981, was operating in the SCS, there was a more serious standoff between Chinese and Vietnamese naval vessels. Vietnamese coastguard vessels kept cruising around the HD 981, trying to prevent it from establishing a fixed position, while the Chinese coastguard took countermeasures, producing a crisis in Sino-Vietnamese relations.⁷

In addition to these two large-scale confrontations, China continued to strengthen its law enforcement measures in the SCS, adopting a tough stance toward fishermen from neighboring countries and carrying out land reclamation projects in the Spratly Islands. Beijing's assertive presence in these troubled waters caused a deterioration in its relations with its Southeast Asian maritime neighbors. However, more efforts are being made by Beijing to reduce confrontation in the SCS.⁸

This continuing unrest in the SCS has attracted the attention of the international community. The development of the SCS dispute has been discussed at various Track I and Track II multilateral forums. On 4 July 2016, during a special session of the IISS Shangri-La Dialogue in Singapore, on "Managing South China Sea Tensions," Adam Ward, the IISS Director of Studies, described the situation in the SCS as "a set of zero-sum territorial and sovereignty disputes, prosecuted with some vehemence." The dispute fuels nationalist impulses and militarization and has given rise to security dilemmas. Attempts to resolve it include third-party mediation and arbitration. It is true that "regional security institutions have failed, so far, to impose themselves meaningfully on the problem."⁹ It is also true that the SCS dispute has not only affected the bilateral

6 Daniel Wagner, Edsel Tupaz, and Ira Paulo Pozon, *China, the Philippines, and the Scarborough Shoal*, THE WORLD POST, 20 May 2012, available at: http://www.huffingtonpost.com/daniel-wagner/china-the-philippines-and_b_1531623.html.

7 The oil rig was moved into the Gulf of Tonkin on 3 April 2016. See Shannon Tiezzi, *Vietnam to China: Move Your Oil Rig out of the South China Sea*, THE DIPLOMAT, 9 April 2016, available at: <http://thediplomat.com/2016/04/vietnam-to-china-move-your-oil-rig-out-of-the-south-china-sea/>.

8 Mingjiang Li describes China's behavior in the SCS as a "combination of non-confrontation and assertiveness." See Mingjiang Li, *China Debates the South China Sea Dispute*, in IAN STOREY AND LIN CHENG-YI, eds., *THE SOUTH CHINA SEA DISPUTE: NAVIGATING DIPLOMATIC AND STRATEGIC TENSIONS* (2016) 67.

9 IISS, *Managing South China Sea Tensions*, THE IISS SHANGRI-LA DIALOGUE: THE ASIA SECURITY SUMMIT, 4 June 2016, available at: <http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2016-4a4b/special-sessions-ff25/session-5-af76>.

relations of the parties concerned, but also led to further confrontation between China and the U.S., presenting a serious challenge to the ASEAN community. While ASEAN and other major powers in the Asia-Pacific region depend on the strengthening of institutionalized, multilateral dialogue channels to avoid possible conflicts, China is annoyed by the SCS claimants' efforts to internationalize the dispute.¹⁰

In 2010, when Vietnam held the chair of ASEAN, the internationalization and multilateralization of the disputes over territorial sovereignty and maritime resources in the SCS developed rapidly. Vietnam leveraged on the power structure of SCS politics by introducing the U.S., Japan, and neighboring major powers into the emerging confrontation, threatening China's ability to dominate the issue. However, what really bothers China is not Vietnam, but the Philippines.

For decades, China has sought to resolve the SCS dispute bilaterally, while the Southeast Asian claimants, most of which are small and medium powers, insist that it should be settled through international and multilateral channels.¹¹ Differences in national strength and preferred method of settlement between stakeholders complicate the SCS dispute. In January 2013, the Philippines took its dispute with China to the Permanent Court of Arbitration (PCA) in The Hague, Netherlands, with a four-thousand-page submission requesting that the court clarify the legality of China's sovereignty claims in the SCS.¹² China rejected the Philippines' claims and refused to accept that the court had jurisdiction in this case. Beijing insisted that the dispute should be resolved through bilateral channels.

The final ruling, which has important implications for the region, was released on 12 July 2016. This paper briefly discusses the strategic environment of the SCS from the perspective of ASEAN. By highlighting the influence of

10 The United States is the key to the internationalization of the SCS dispute. For example, at the 2016 G20 meeting, President Barack Obama sent a warning signal to China concerning its behavior in the SCS, *Obama Crashes G20 by Warning Beijing of 'Consequences' in the South China Sea*, SPUTNIK INTERNATIONAL, 5 September 2016, <http://sputniknews.com/asia/20160905/1044997015/obama-xi-china-war-g20.html>.

11 As Tran Truong Thuy has argued, it would be better to manage the dispute through ASEAN, including a Declaration of Conduct and Code of Conduct. See Tran Trong Thuy, *Recent Development in the South China Sea: From Declaration to Code of Conduct*, in TRAN TRUONG THUY, ed., *THE SOUTH CHINA SEA: TOWARD A REGION OF PEACE, SECURITY, AND COOPERATION* (2011) 101–115.

12 For the case submitted by the Philippines to the PCA, see SHICHUN WU AND KEYUAN ZOU, eds., *ARBITRATION CONCERNING THE SOUTH CHINA SEA: PHILIPPINES VERSUS CHINA* (2016).

power politics, this paper explains how ASEAN has failed to secure its centrality and unity since 2012. China continues its strategic projection in the SCS, seizing islands and building on them, and enhancing its military capability, thus demonstrating its presence in these troubled waters both substantially and symbolically. It is difficult for ASEAN to remain united on this issue since its individual member-States' interests and threat perceptions differ depending on whether they are mainland or maritime countries.

This paper argues that the final award of arbitration issued on 12 July will not put an end to the dispute. Rather, from another angle, this is to legally socialize China's behavior in SCS. The cost of this is a more divided ASEAN, a more fragmented regional community, and more dangerous maritime communications routes.

II The SCS Dispute in the Context of Power Politics

The SCS dispute is essentially a clash over maritime territory and resources. Nevertheless, it is taking place in the context of power politics and hegemonic rivalry. This power struggle involves not only the great powers, but also the ASEAN States themselves.¹³

At a structural level, the contest among the regional powers (China, Japan, and the U.S.) simultaneously constrains and enables the dispute. It constrains it because rivalry between China and the U.S. undermines ASEAN's role in maintaining peace and stability in the disputed waters. The hegemonic rivals enable the dispute by providing individual ASEAN member-States with aid (Beijing) or funding coastguard capacity-building projects (Washington). This makes it difficult for ASEAN to present a strong united front on the SCS disputes.

ASEAN members seem to take sides whenever a dispute occurs in the SCS, despite their reluctance to get embroiled in the great power rivalry. The SCS dispute has severely damaged the unity of ASEAN and it has become a test for the ASEAN Political Security Community (APSC) *per se*.¹⁴ The China factor is

13 For recent insightful monographs on the policy implications of power politics, see ENRICO FELS AND TRUONG-MINH VU, eds., *POWER POLITICS IN ASIA'S CONTESTED WATERS: TERRITORIAL DISPUTES IN THE SOUTH CHINA SEA* (2016); TRAN TRUONG THUY AND LE THUY TRANG, eds., *POLITICS, LAW, AND MARITIME ORDERS IN THE SOUTH CHINA SEA* (2015).

14 Hideo Tomikawa, *Southeast Asia: Forming an ASEAN Political-Security Community and Further Challenges*, in NATIONAL INSTITUTE FOR DEFENSE STUDIES, ed., *EAST ASIAN STRATEGIC REVIEW 2016*, (2016) 150.

the most critical concern. Those continental ASEAN countries which are not directly involved in disputes with China in the SCS have tended to acquire more room for strategic maneuvering due to their “calmness” on the issue. For instance, countries such as Cambodia, Thailand, and Laos, which are not SCS claimants and seek to keep strong economic and trade links with China, usually give tacit approval to Beijing’s SCS position. In late June 2016, Prime Minister Hun Sen of Cambodia indicated that he was in favor of ASEAN supporting an arbitration award against China. Then, on 15 July, right after the announcement of the PCA award, Beijing granted Cambodia US\$600 million-worth of aid.¹⁵

The core interest of most of the maritime ASEAN countries which are involved in the SCS dispute with China is protecting their State sovereignty. Even though they need to maintain good economic and trade relations with China, intensification of the territorial dispute means that sovereignty takes precedence over these economic interests.

Strategic maneuvering has prompted ASEAN SCS claimants, including Vietnam and the Philippines, to actively seek support from regional powers such as the U.S. and Japan in recent years. Whether they take the form of capacity-building projects such as security assistance, the training of coast-guard personnel, or the upgrading of maritime governance and law enforcement, these maritime capability build-up programs are essential for the Philippines and Vietnam. For example, Manila reinforced its bilateral ties with the U.S. concerning security and legal assistance. In April 2014, Manila signed a military cooperation agreement with the U.S. which included plans for the construction of joint military bases over the next ten years. The Philippines also received patrol ships and F16 C/D aircraft from the U.S. which has helped Manila enhance its weak air and naval power as well as its island-control capability. Most importantly, the Philippines has enjoyed the full support of the U.S. during the PCA arbitration process and on issues such as fisheries enforcement missions after the PCA ruling.¹⁶

Vietnam has also been seeking international support in recent years. It upgraded its military capability by purchasing YAK130 trainer aircraft, Su 30 MK2 fighter jets, and submarines from Russia. It also strengthened bilateral ties with the U.S. when President Obama lifted the arms embargo on Vietnam

15 Sok Khemara, *China Gives \$600m to Cambodia in Exchange for International Support*, VOA CAMBODIA, 15 July 2016, available at: <http://www.voacambodia.com/a/china-gives-600-million-to-cambodia-in-exchange-for-international-support/3419875.html>.

16 Kerry Lynn Nankivell, *South China Sea: Fishing in Troubled Waters*, THE DIPLOMAT, 18 August 2016, available at: <http://thediplomat.com/2016/08/south-china-sea-fishing-in-troubled-waters/>.

in May 2016.¹⁷ On 15 July, Vietnam and Japan agreed that the parties concerned should comply with the SCS ruling that would “eventually lead to the peaceful settlement of disputes.”¹⁸

The efforts made by Vietnam and the Philippines to encourage the engagement of the major external powers illustrate the kinds of strategies these countries are adopting to safeguard their core interests. Besides confronting China directly, they need to devise countermeasures, and their best course of action is to develop strategic ties with the U.S., Japan, and India.

When the result of the PCA arbitration was announced, the positions adopted by the ASEAN member-States were equivocal and diverse. First, for ASEAN, there is no consensus right after the announcement of award. Second, Laos and Cambodia were more sympathetic to China, Indonesia's and Malaysia's attitudes were unclear but mention the importance of UNCLOS, while Vietnam and the Philippines welcome the results with cautious attitudes of evaluating its political and security implications.¹⁹ Obviously, the question whether the SCS dispute is a core interest or not is the key factor in determining whether an individual ASEAN State is “for” or “against” China. The final award announced on 12 July highlights the fact that the SCS dispute is essentially a zero-sum game and part of the power struggle among the claimants and their great power allies.

III The Erosion of ASEAN Centrality

It is inevitable that the SCS dispute and the award of arbitration will challenge ASEAN unity and centrality.²⁰ Since the late 1990s, ASEAN had been striving to develop an ASEAN Community, a solid and united regional grouping.

17 Alan H. Yang, *Prioritizing National Interests in the South China Sea: Policy Continuities and Changes in Key ASEAN Countries*, in K.H. WANG AND S.S. HO, eds., *A BRIDGE OVER TROUBLED WATERS: PROSPECTS FOR PEACE IN THE SOUTH AND EAST CHINA SEAS* (2015)161.

18 *Japan, Vietnam Agree South China Sea Ruling Must Be Observed as China Digs in Heels*, STRAITS TIMES, 15 July 2016, available at: <http://www.straitstimes.com/asia/east-asia/japan-pm-abe-meets-china-counterpart-li-keqiang-as-south-china-sea-tensions-flare>.

19 Termsak Chalermpalanupap, *No ASEAN Consensus on the South China Sea*, THE DIPLOMAT, 21 July 2016, available at: <http://thediplomat.com/2016/07/no-asean-consensus-on-the-south-china-sea/>.

20 At the time of writing, a collection of the latest studies on the impact of the territorial disputes on ASEAN centrality was due to be released in December 2016. See ALFRED GERSTL AND MARIA STRAKOVA, eds., *UNRESOLVED BORDER, LAND, AND MARITIME*

On 31 December 2015, this community was established on three “pillars”: a political pillar (the ASEAN Political Security Community, APSC), an economic pillar (the ASEAN Economic Community, AEC), and a social pillar (the ASEAN Socio-Cultural Community, ASCC). The purpose of this community is to put ASEAN and its members securely in the “driving seat” as far as regional settings and processes are concerned.

In recent years, almost all the regional processes led by ASEAN have emphasized the importance of ASEAN Centrality. The underlying rationale is that most of the individual ASEAN countries are small, and so must rely on a “regional grouping” or “community” to increase their regional resilience and to prevent them from being marginalized in global power politics or manipulated by the major powers. Discussions and debates regarding the core values of ASEAN Centrality have taken place both in academia and among the policy-making community.²¹

There are at least three aspects of ASEAN Centrality. First, it means that ASEAN should hold a central position in Southeast Asian integration, with ASEAN representing the common interests, common position, and common identity of the Southeast Asian countries. That is, the unity and cohesiveness of regional community.²² As ASEAN strengthens regional integration, the core value of the ASEAN Community will be recognized and fully supported by its members. Realizing ASEAN Centrality will facilitate closer integration of the collective interests of the ASEAN Community and the interests of individual ASEAN members, putting ASEAN at the heart of regional and national development.

A second aspect of ASEAN Centrality is the consolidation of ASEAN as a hub in the context of international power politics and “the core of regionalism in

DISPUTES IN SOUTHEAST ASIA: BI- AND MULTILATERAL CONFLICT RESOLUTION APPROACHES AND ASEAN’S CENTRALITY (2016).

- 21 For recent contributions to the centrality and unity debates, see Evan A. Laksmana, *Can There be ASEAN Centrality without Unity?*, JAKARTA POST, 6 September 2016, available at: <http://www.thejakartapost.com/news/2016/09/06/can-there-be-asean-centrality-without-unity.html>; Mathew Davies, *ASEAN Centrality Losing Ground*, EAST ASIA FORUM, 4 September 2016, available at: <http://www.eastasiaforum.org/2016/09/04/asean-centrality-losing-ground/>; Robert A. Manning, *Time to Rethink ASEAN*, NIKKEI ASIAN REVIEW, 6 September 2016, <http://asia.nikkei.com/Viewpoints/Viewpoints/Robert-A.-Manning-Time-to-rethink-ASEAN?page=2>.
- 22 Sihasak Phuangketkeow, *Special Session: ASEAN and the Emerging Regional Security Order*, THE IISS SHANGRI-LA DIALOGUE, 31 May 2014, available at: <https://www.iiss.org/en/events/shangri%20la%20dialogue/archive/2014-c20c/special-sessions-boai/session-4-948e>.

East Asia and the Asia Pacific”.²³ As ASEAN and its community-building project develops, its members will be able to rely on ASEAN’s good offices in the political struggles among the regional powers. ASEAN Centrality is closely connected to how ASEAN maintains balance in Asia-Pacific power politics through ASEAN Plus Three (APT), the East Asia Summit (EAS), and other ASEAN-led networking efforts. Over the past decade, the regional powers have, for the most part, respected and valued ASEAN Centrality, enabling ASEAN to calm potential political rivalries among the regional powers which could have negative implications for ASEAN members. Practicing ASEAN Centrality in ASEAN-led processes is also essential if ASEAN is to be able to consolidate the regional and individual interests of the Southeast Asian countries and prevent those interests from being marginalized.

Last but not least, ASEAN Centrality is particularly important if ASEAN is to maintain its agenda-setting and bargaining capability in ASEAN-led processes. If ASEAN can consolidate its unity and cohesion, collective regional interests will be secure.

In recent years, however, confrontations in the SCS have eroded ASEAN centrality. First, the ASEAN members have had difficulty finding common ground on the SCS dispute, and this has caused problems regarding the wording of joint statements. This is important evidence that ASEAN’s core position is under challenge. One example is what happened in 2012, when the Cambodian chair of the 45th ASEAN Foreign Ministerial Meeting (AMM) in Phnom Penh failed to get the member-States to reach a consensus on the SCS dispute, resulting in this AMM being the first to end without a joint communique.²⁴ In November 2015, delegates at the expanded ASEAN Defense Ministerial Meeting (ADMM Plus) again took different positions on the SCS dispute and on China’s land reclamation project in the disputed waters, thus failing to reach a consensus and once again concluding without a joint statement. In June 2016, a joint communique drawn up at the Special China-ASEAN Foreign Minister’s Meeting in Nanning, China, which highlighted ASEAN’s “serious concerns” about the SCS dispute, was withdrawn.²⁵

23 Simon Tay and Cheryl Tan, *ASEAN Centrality in the Regional Architecture*, SIIA POLICY BRIEF, January 2015, 2.

24 Bridget Welsh, *Divided or Together? Southeast Asia in 2012*, in OOI KEE BENG ET AL., eds., *THE 3RD ASEAN READER* (2015), 290–293.

25 Roy Mabasa, *China-ASEAN Communique Retracted*, MANILA BULLETIN, 16 June 2016, available at: <http://www.mb.com.ph/china-asean-communique-retracted/#JBByUZy5BrYVBdof.99>.

More recently, ASEAN, under Laotian chairmanship, failed to issue a joint statement on the PCA's ruling. According to media reports, it was Laos that announced that "ASEAN would not be issuing a joint statement due to a lack of consensus."²⁶

This is all evidence of a crisis within ASEAN caused by a fragmentation of interests in the SCS disputes. ASEAN Centrality will be undermined still further by great power rivalry following on the PCA ruling. With China seeking support from non-claimants among the ASEAN members, it will be extremely difficult for the regional grouping to stand firm and reach a unanimous position of its own. The position taken by Laos of not issuing any ASEAN statement on PCA ruling reduces the legitimate and normative influence of the Association, as the ASEAN Community is about to lose its moral authority and capacity to set the agenda on the SCS dispute. Worse still, the erosion of ASEAN Centrality will likely endanger ASEAN control over regional processes.

IV A Tougher China as a Disintegrating Factor?

In the week before the PCA's ruling was announced, Beijing used various channels to assert its position and its tough stance. For example, the spokesman for China's Foreign Ministry, Hong Lei, argued that the tribunal had no jurisdiction over the case and "the arbitration and any award are obviously unpopular."²⁷ On 5 July, a former Chinese State councilor, Dai Bingguo, criticized the PCA at the China-US Dialogue on SCS between Chinese and US Think Tanks. He argued that the tribunal should stop its hearings and dismissed the arbitration award as "nothing more than a piece of paper."²⁸ Dai's statement was consistent with that of Hong Lei, who emphasized that the tribunal had no jurisdiction over the SCS case and was trying to expand its power by making a political decision.

26 *ASEAN 'Abandons' Joint Statement on Ruling*, BANGKOK POST, 14 July 2016, available at: <http://www.bangkokpost.com/news/asean/1035694/asean-abandons-joint-statement-on-ruling>.

27 Hannah Beech, *China's Global Reputation Hinges on Upcoming South China Sea Court Decision*, TIME, 11 July 2016, available at: <http://time.com/4400671/philippines-south-china-sea-arbitration-case/>.

28 Ministry of Foreign Affairs of the People's Republic of China, "Speech by Dai Bingguo at China-US Dialogue on South China Sea Between Chinese and US Think Tanks," Ministry of Foreign Affairs of the People's Republic of China, 5 July 2016, available at: http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1377747.shtml.

Despite China insisting that the U.S. is not a party to the SCS dispute, the Chinese have admitted that Washington has a key role to play. On 6 July, China's foreign minister, Wang Yi, and the US Secretary of State, John Kerry, discussed the dispute through their hotline. Wang emphasized that China would never change its position concerning sovereignty over the SCS, and he urged the U.S. to stick to its policy of neutrality and non-involvement.²⁹

In addition to its diplomatic communications, on 5 July, China launched a week-long military exercise in the SCS during which more than one hundred ships and jet fighters were mobilized. Beijing's decision to proceed with the military exercise right before the release of the arbitration award sent a strong signal of its intention to protect its sovereignty in these troubled waters.

The release of the PCA ruling on 12 July sharpened the difference between China and the Philippines and highlighted the gap between the pro-Philippines and pro-China groups. The former argues that "a rules-based international order must be respected," while China argues that the "illegal ruling is nothing but a piece of paper" and insists that outside powers should stop interfering in the issue.³⁰ The PCA ruling disadvantages China's legal status in the SCS and it is likely to result in China taking a tougher stance in the future. So far, Beijing has responded with "relative restraint" with regard to maintaining the regional status quo.³¹ However, China is expected to secure its perceived legal rights and enhance its presence in the area by declaring an air defense information zone (ADIZ) and an exclusive economic zone (EEZ), expanding militarization initiatives and pushing forward bilateral cooperation with Taiwan on SCS issues in a more assertive manner.

V Conclusion: An Uncertain Future or Back to Normal?

The arbitration award by no means marks the resolution of the SCS dispute. First, China has made its disapproval clear, refusing to recognize the PCA's jurisdiction. However, the jurisdiction made Chinese policy communities aware

29 David Brunnstrom and Ben Blanchard, *Beijing Warns U.S. on Sovereignty ahead of South China Sea Ruling*, REUTERS, 7 July 2016, available at: <http://www.reuters.com/article/us-southchinesea-china-kerry-idUSKCN0ZM2GU>.

30 *Japan, Vietnam Agree South China Sea Ruling Must Be Observed as China Digs in Heels*, STRAITS TIMES, 15 July 2016, available at: <http://www.straitstimes.com/asia/east-asia/japan-pm-abe-meets-china-counterpart-li-keqiang-as-south-china-sea-tensions-flare>.

31 Tuan N. Pham, *The South China Sea Ruling: 1 Month Later*, THE DIPLOMAT, 12 August 2016, <http://thediplomat.com/2016/08/the-south-china-sea-ruling-1-month-later/>.

of the importance of international law and norms in any policy making relevant to SCS. Nonetheless, it is important to note that China's domestic political reform and anti-corruption movement have created strong pressure from within, and this may lead Beijing to respond more assertively to external challenges. As China learns from the PCA jurisdiction, Beijing is likely to unilaterally engage in proactive and assertive military projection in the SCS in the future, but more likely to enhance itself in internationally legitimizing sovereignty claims in the troubled waters.

Second, even though the PCA ruled in favor of the Philippines, it would be difficult for Manila to act on the ruling because of its limited law enforcement and military capability. At the same time, the Philippines' newly elected president, Rodrigo Duterte, expressed willingness to start a dialogue with China on the SCS dispute. In late 2016, Duterte paid the State visit to Beijing for the purpose of improving bilateral relations between both countries. There were 13 agreements and Memorandum of Understanding (MOU) signed during his visit, including one on the Establishment of a Joint Coastal Guard Committee on Maritime Cooperation, which may ease the tension between the two parties.³² Beijing is more confident that a less proactive Philippines will do no harm to its presence nor governance in SCS.

Overall, the arbitration award will not do ASEAN much good in the short run. This is mainly because it will not help the SCS claimant countries "solve" the dispute any time soon, although one positive effect for the Philippines is that Duterte was able to use the award to help in negotiations with China and gain economic benefits from Beijing. A recent development is China has committed to provide \$6 billion in soft loans and a \$3 billion credit line to the Philippines to fulfill its need in the development of national infrastructure projects.³³

However, one thing is certain, the already eroded ASEAN Centrality will continue to deteriorate due to the differing national interests of the individual ASEAN members. The ASEAN Summit in Vientiane still kept its silence in not mentioning the PCA award in any statements and declarations. ASEAN Centrality can only exist if the major powers respect its importance and value ASEAN's influence. ASEAN will no longer occupy a central position without the support

32 Jane Perlez, *Rodrigo Duterte and Xi Jinping Agree to Reopen South China Sea Talks*, NEW YORK TIMES, 20 October 2016, available at: <https://www.nytimes.com/2016/10/21/world/asia/rodrigo-duterte-philippines-china-xi-jinping.html>.

33 ABC-CBN News, *China Promises "Corruption-free" Infrastructure Aid to Philippines*, ABC-CBN NEWS, 10 February 2017, available at: <http://news.abs-cbn.com/news/02/10/17/china-promises-corruption-free-infrastructure-aid-to-philippines>.

of the major powers. Regional security may either become more uncertain or it may, on the contrary, go back on track. This will depend on the following developments.

First, the differing positions and interests of the ASEAN members will make ASEAN Centrality more vulnerable, threatening the unity and further integration of the ASEAN Community, especially the APSC. Undeniably, the Asia-Pacific region needs a more all-embracing and united ASEAN. This is particularly significant in 2017, when ASEAN is celebrating its fiftieth anniversary. In 2017, the Philippines takes over the chairmanship of ASEAN. This will give Manila more strategic opportunities to enhance its influence in the SCS through various ASEAN-led processes, although resistance from non-claimants within ASEAN may be expected. If the new government in the Philippines makes use of the arbitration award in a strategic manner while at the same time moving against China by leaning toward the U.S. and Japan, Vietnam and Malaysia may be encouraged to follow suit. In response to such a newly reinforced anti-China coalition, Beijing will inevitably invest more resources into the countries of Indochina. This will divide ASEAN still further.

Second, it is worth considering what President Duterte's attitude will be, faced with an uncompromising China. Duterte's position was inconsistent in the two months after the PCA ruling. On 15 July, he delegated former president Fidel Ramos to enter into a dialogue regarding the arbitration in Hong Kong. Although this was seen as no more than a gesture designed to demonstrate Duterte's friendliness toward China, on 23 July, just a week after Ramos' visit to Hong Kong, Duterte openly criticized China's "nine dash line" claim as a greedy scheme to plunder the entire SCS. On 29 July 29, as the quarrel intensified, Duterte yet again changed his tone, saying that the Philippines would avoid extreme standpoints in its dialogues with China in the future. On 17 August, he offered the Chinese leaders direct talks, saying, "We maintain good relations with China. Let's create an environment where we can sit down and talk." Duterte's main purpose is to avoid war by means of under-the-table bilateral diplomacy. However, on 24 August, he again toughened up, threatening that "if China invades the Philippines' territorial water in SCS, there will be an irrevocable bloody confrontation."

Duterte has adopted a carrot and stick strategy, under which he has made multiple offers of dialogue within the space of a single year while also issuing belligerent statements about safeguarding the sovereignty of the Philippines. The belligerence is likely to be a response to domestic public opinion. In other words, the two new elements in the SCS dispute—and the problem of ASEAN Centrality—are the president of the Philippines and public opinion in the Philippines.

Third, the militarization of the SCS is likely to develop still further as the claimants seek to protect their sovereignty. Security assistance programs and arms sales between the ASEAN claimants (Vietnam, the Philippines, and Indonesia) and the external powers (Japan and the U.S.) will be reinforced. A *de facto* naval and coastguard partnership between the U.S. and Japan on the one hand and the ASEAN States on the other will be targeted at China's presence (military and law enforcement) in the SCS.

Increasing the scale of military exchanges and cooperation with other stakeholders is a clear sign of major power intervention in the SCS issue. Military engagement by the U.S., Japan, and other regional powers may serve to heighten the tension in the region still further. The future development of the dispute depends on whether the major powers intervene constructively and work to facilitate stability in the SCS.

Finally, China is likely to intensify its presence in the SCS and become more assertive. Although Beijing usually prefers a bilateral framework, it is still calling for dialogue with ASEAN foreign ministers or senior officials as part of a multilateral arrangement, in the hope that the DOC can be implemented and a code of conduct agreed as soon as possible. Meanwhile, Beijing continues to communicate bilaterally with the Philippines. Ongoing Chinese projects include linking up the artificial islands they have created and installing civilian facilities. This will tighten China's control over the remote Spratly Islands.

It may be a long time before ASEAN can achieve a satisfactory resolution to this complicated dispute. But ASEAN should not be too pessimistic. A crisis can also be a turning point. The international community is likely to expect more from this most important regional organization, which is celebrating its fiftieth anniversary, in terms of ensuring a more harmonious and stable regional environment. Despite the fact that ASEAN unity and centrality have been challenged by the current SCS dispute, the PCA ruling should mark a new starting point for ASEAN in its efforts to strengthen its member-States' understanding of what it means to be a "community."