



The Ebb and Flow in Sino-Philippine Foreign Policy Behaviour

- A Bilateral Analysis of the South China Sea Dispute

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Abstract

Named “the mother of all territorial disputes” due to its complexity, the South China Sea region has been the centre of conflict and competition for decades. The international significance, economic importance, geostrategic position and complex structure of the South China Sea dispute make it a relevant and interesting subject to study. This thesis analyses foreign policy behaviour within the South China Sea dispute and the factors that have influenced it in a period ranging from 1990 through 2014. While six Southeast and East Asian states have expressed varying and often-overlapping claims in the region, the analysis specifically looks at the dispute between China and the Philippines. Their immense power-variation, increasing assertiveness, and varying foreign policies provide an interesting perspective. Moreover, the U.S.-Philippine alliance enables us to look at the influence of the U.S., as old-stage hegemon and stabilizer in the Asian Pacific, on both China’s and the Philippines’ actions.

The case study research is executed through congruence analysis, in which competing theories are used next to one another to make sense of the central case. Two main rationalist IR theories, Realism and Liberalism, are chosen to see which of them provides the most relevant explanatory factors for social reality in the Sino-Philippine dispute. The Realist factors that have been deduced from theory are the anarchic international structure; relative gains and power; and threat perceptions. Liberalism has provided us with absolute gains; domestic democratic institutions; and economic interdependence as possible influencing factors for foreign policy behaviour.

The empirical analysis has shown that, overall, Realism provides more accurate explanations for both China’s and the Philippines foreign policy. Due to its analytical focus on security as a foreign policy goal, states’ concern with relative gains, their position in the anarchic international system, internal and external balancing behaviour and threat perceptions it has created useful insights into both states’ foreign policy. Moreover, its consideration of states’ relative power position and the consequent variations in state behaviour have proven to be accurate, as China being the stronger state engaged in different types of behaviour than the Philippines being the weaker one. Liberalism provides a useful addition by allowing one to look at domestic structures (regime type and economy type) as influencing factors of foreign policy. Moreover, while its focus on absolute gains and welfare maximization explained Philippine behaviour in the early 1990s, it was overall especially hard to account for China’s foreign policy using Liberal factors, as eventually its foreign policy could be reverted back to Realist factors. Moreover, Liberalism generally predicted the same behaviour for China and the Philippines, with the exception of the influence of their (differing) political structure, while it is shown that their behaviour varied and was strongly influenced by their power position. Lastly, the Liberal thesis could not explain why China and the Philippines fell back into contentious behaviour at the end of the 2000s despite increasing trade relations.

Thus, while we have seen that more factors have influenced both states’ behaviour, the core events can be led back to the Realist thesis with its influencing factors grounded in the international structure. Apparently, foreign policy in contentious situations still follows Realist predictions. Therefore, Realism is the strongest underlying theory to explain state behaviour in the South China Sea.

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List of Acronyms

ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Corporation
CLCS	Commission on the Limits of the Continental Shelf
DoC	Declaration on the Conduct of Parties in the South China Sea
EEZ	Exclusive Economic Zone
GNP	Gross National Product
IMF	International Monetary Fund
IR	International Relations
ITLOS	International Tribunal of the Law Of the Sea in 2011,
JMSU	Joint Marine Seismic Undertaking
KMT	Kuomintang
NATO	North Atlantic Treaty Organization
PRC	People's Republic of China
UN	United Nations
UNCLOS	United Nations Convention of the Law of the Sea
US	United States
USNS	United States Naval Ship
ZoPPFC	Zone of Peace, Freedom, Friendship and Cooperation

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1. Introduction

“No territorial dispute is as confusing, as confounding and as complex as that of the South China Sea” (Raine & Le Mière , 2013:12,29).

Although such a statement can naturally easily be made, anyone who familiarizes him- or herself with this unique conflict situation will immediately understand it. Named “the mother of all territorial disputes” (Baviera, 2004:505) due to its complexity, the South China Sea region has been the centre of conflict and competition for decades. The dispute involves six Southeast and East Asian states: China, Taiwan, Vietnam, Malaysia, Brunei and the Philippines, of which all have decades-old, complicated and often-overlapping claims. Their claims regard hundreds of features (islands, atolls, cays, rocks and reefs) spread across the South China Sea. Most of them are not even above water at high tide (Granados, 2009:268; Raine & Le Mière, 2013:12,13).

Due to the area’s strategic position and increasing importance, there is much more at stake than ‘just’ ownership of the small features: Access to resources, such as fisheries, oil and gas reserves, have given the region new significance in a time when energy demands continuously rise. Moreover, the South China Sea consists of vital sea-lanes precisely at the nexus of Northeast and Southeast Asia. They annually carry more than half of the global merchant-fleet tonnage and one-third of all maritime traffic (Blazevic, 2012:79,80; Raine & Le Mière, 2013:12,110). These strategic characteristics of the region combined with the significant rise of China in the past decades have increased suspicion and weariness: China is one of the main claimants in the South China Sea dispute, has the most comprehensive claims and is, without a doubt, the most powerful (directly involved) state. The differences between China and the other claimants in terms of economic and military power are increasing rapidly. Consequently, other claimants have become weary of Chinese intentions and concerned for their own position in the dispute. It is therefore no coincidence that the South China Sea region as a whole has witnessed an increase in military expenditure in recent years. This expenditure rise is accompanied by stronger national stances towards the conflict and tougher language by governmental officials in recent years (Kaplan, 2011:3,6; Blazevic,

2012:79,80; Daojiong & Valencia, 2001:87,88; Rousseau, 2011; Buszynski, 2012:139; International Crisis Group, 2012 a:1,4; International Crisis Group, 2012 b:i).

The complexity and multi-layered nature of the South China Sea dispute does not stop at the regional borders, as the conflict has global implications as well: apart from the six claimant states, the dispute has broadened its scope to include several extra-regional actors, such as Japan, ASEAN and, most importantly, the United States. The latter has important navigational and economic interests in the South China Sea region and moreover asserts its naval power in the Asia-Pacific. Therefore, it has been watching the developments, and especially Chinese actions, carefully. The repositioning of U.S. forces in the Asia-Pacific and the strengthening of security ties with other claimants, such as the Philippines, are indications of the significance the U.S. entitles to the region (Buszynski, 2012:19; Raine & Le Mière, 2013:21; Rousseau, 2011).

The international significance, economic importance, geostrategic position and complex structure of the South China Sea dispute make it a relevant and interesting subject to study, now more than ever: In recent years, the South China Sea dispute has gained attention following a series of confrontations between involved states causing regional tensions to heighten and instability to increase. After a period of relative calmness, strengthening regional economic ties and regional efforts to regulate the conflict, maritime incidents including naval forces, civil patrols and fishermen have increased in the last few years. One of the latest examples is the tense Sino-Philippine stand-off at the Scarborough Reef in April 2012 (International Crisis Group, 2012 a:4; Granados, 2009: 269).

So why have states become more assertive in expressing their claims? Why now? And why are there fluctuations regarding interstate tension and cooperation? Such questions lead us to the central focus of this thesis: State behaviour in the South China Sea. Although much existing scholarly research emphasizes possible solutions to the conflict, this thesis will tread a different path: It does not concentrate on what *ought to be* the case in the South China Sea, it provides an analysis of what *is* going on in the region now and in the past two decades. In doing so, it focuses on state behaviour in the form of foreign policy and will analyse the drivers behind state actions. To be able to execute an in-depth analysis and with the scope of this thesis in mind, the study will focus on two of the claimants, namely China and the Philippines.

1.1 Selection of the Case

Interest for the wider South China Sea dispute due to its significance in today's world politics formed the foundation for the case-selection. However, the choice for the dyadic dispute between China and the Philippines is no coincidence either. Firstly, the Sino-Philippine relationship is marked by an immense variation in power: China has tremendously increased its economic and political power during the post-Cold War period. One might expect China to acquire all the features it claims due to its strength, however, it still shows a certain amount of constraint in its actions. Nonetheless, China is the most assertive claimant, as it has been involved in almost all main incidents in the South China Sea. The Philippines, on the other hand, are much smaller in terms of economical and military size and can by no means measure up to China's strength. However, remarkably, the Philippines have also become more assertive in exerting territorial claims vis-à-vis China, especially in recent years (Rousseau, 2011: Storey, 1999:95,96; Raine & Le Mière, 2013:26). Another interesting contextual factor is the role of the United States as an old-stage hegemon and as a stabilizer within the Asia-Pacific region. The U.S. has been challenged by China's power increase during the past decade and, therefore, their relationship is somewhat troubled. On the other hand, the U.S. has close ties with the Philippines, being its former colonizing power, a current ally and bound by a Mutual Defense Treaty to protect Philippine territory if necessary. These factors combined, make the Sino-Philippine case a highly strategic and complex one and justify the primary selection of the case within this analysis (Granados, 2009:270). This state-focus provides us with an interesting perspective on the South China Sea dispute: Two countries competing for the same features in the South China Sea; being vastly different in terms of economic, diplomatic and military power; becoming increasingly assertive in recent years after a period of relative calmness; and using different measures of influence to turn the dispute their way.

1.2 Research Goal & Question(s)

The aim of this research is to analyse which factors have influenced Chinese and Philippine foreign policy behaviour in their bilateral territorial dispute in the South China Sea. Their behaviour will be analysed in a timeframe set from 1990 through 2014. This timeframe gives us the opportunity to look at the ebb and flow in Sino-Philippine relations and their varying foreign policy behaviour in the maritime region: their

behaviour throughout time leads to varying extents of bilateral confrontation and cooperation. This approach creates another layer of depth in analysing state behaviour in this highly complex territorial dispute, which can possibly lead us to understand what types of behaviour and underlying factors lead to increasing or decreasing bilateral tension.

Out of the above, the following main research question has been filtered:

Which factors have influenced Chinese and Philippine foreign policy behaviour in their bilateral South China Sea dispute during the post-Cold War period?

1.3 Relevance of the Research

The relevance of a certain analysis and the accompanying research goal and questions is often divided into social and scientific relevance. Both will be elaborated upon below.

1.3.1 Social Relevance

With regards to the social relevance, Lehnert, Miller and Wonka (2007:29-31) state that research should potentially affect people; it should have a standard by which people can evaluate the implications of the research and thus are able to better understand the problem; and, if possible, it should lead to practical advice or solutions. This particular research topic potentially affects Chinese and Philippine policy-makers, statesmen and diplomats. It could also affect their citizens, since several scholars have identified the South China Sea dispute as the conflict that is most likely to escalate in the 21st century (Kaplan, 2011; Raine & Le Mière, 2013:26). The region is highly significant in terms of its economic and military value and, moreover, two major world powers are (in)directly involved in the dispute. Therefore, the conflict could be a potential recipe for regional disaster if interstate relations escalate severely. While this thesis only focuses on two of the claimants and thus on a specific part of the wider South China Sea dispute, the Sino-Philippine case is one of the most contentious. The research subject can thus be evaluated according to less or more regional stability and security; two standards which are highly important for people's everyday life. In addition, insights into state behaviour in this highly significant dispute can make this complex conflict more understandable. This does not only account for the China-Philippines case: It can be seen as a reflection of the wider trends in regional relationships and the evolving regional security order. It

specifically reflects and reveals the attitudes of the world's most powerful nations, the United States and China, towards this highly strategic region. Raine and Le Mière (2013:23) argue that "how China handles these disputes with its militarily and economically more vulnerable neighbours will offer potential clues as to what sort of regional power it is intent on becoming". The case thus has broader geopolitical implications and is therefore highly relevant to pay attention to (Daojiong & Valencia, 2001:88). Lastly, the analysis will not lead to practical advice regarding the resolution of Sino-Philippine dispute, since this is not the aim of the research. However, implications of the findings will be discussed.

1.3.2 Theoretical Relevance

The theoretical relevance concerns the contribution of this research to the already existing theoretical discourse about state behaviour in territorial disputes and the South China Sea dispute in particular. The dialogue between theory and data should add something to the current state of knowledge and can do so by for instance testing theory to new cases, generating data and explaining new real-world phenomena (Lehnert et al., 2007:22-25; Gschwend & Schimmelfennig, 2007:3). Little research has focused on the characteristics and motivations of states' foreign policy behaviour in the South China Sea dispute. Even fewer analyses have focused on changes in state behaviour over time and the varying escalating or de-escalating bilateral relations. The focus on China and the Philippines is now more relevant than ever due to their increasing bilateral tensions in recent years; the different means they have to further their goals; and the strategic position of the Philippines in between the world's two superpowers. Hopefully, this thesis will be able to contribute to the focus on state behaviour itself and thereby help to fill the gap in the existing body of knowledge. Moreover, this thesis applies a congruence analysis (see 2.2) to provide an answer to the main research question. This research strategy is characterized by using various competing theories next to one another to analyse a certain case, namely the main International Relations theories Realism and Liberalism. Moreover, this strategy puts great emphasis on the interplay between empiric data and theory. It ultimately sheds light on which theory applies best to a certain empirical situation and thereby it contributes to the wider theoretical discourse within IR. The theories' explanatory power will thus be tested with regards to state behaviour in the Sino-Philippine dispute in the post-Cold War period. Since the

focus is on using existing theories to explain the empirical situation, there will be no contribution to the development of new theory (Blatter & Blume, 2008:336).

2. Research Design

Before describing the theoretical framework that forms the guideline for the empirical analysis, the research design will be addressed to clarify the central role that theory plays within this thesis. This chapter will firstly elaborate upon the research strategy and the selection of the case and theories, after which the validity and reliability of the research design will be outlined. Consequently, the research method and types of data that are used to gather empirical observations and execute the analysis will be outlined.

2.1 Conducting Case Study Research

This thesis concerns a specific research situation in which the unit of analysis is *a dyadic relationship between two countries*; the specific case under study is *the dyad between China and the Philippines within the context of their bilateral South China Sea dispute*; and the time referent is *the post-Cold War period*. The focus on one particular demarcated research situation categorizes this thesis as a small-N study or, in other words, a case study. Case studies have the purpose to explore a research situation extensively, in-depth and by itself through providing rich and detailed information (Yin, 2009:4,7-13,47; Berg, 2009:326; Van Thiel, 2007:97; Buttolph, Johnson, Reynold & Mycoff, 2007:60-87; Blatter & Haverland, 2012:xvi). As Blatter and Haverland (2012:144) put forward: “The core features and major advantages of small-N research are [1] the researcher’s ability to collect a broad and diverse set of observations per case and [2] the ability to reflect intensively on the relationship between empirical observation and abstract concepts”. In the former point, Blatter and Haverland (2012:144) touch upon an important differentiation between case studies and large-N research (often statistical analyses), where fewer observations are gathered for a larger number of cases. In other words, where case studies are characterized by depth, large-N studies are marked by breadth. Gerring (2007:49) states in this regard: “...researchers invariably face a choice between knowing more about less, or less about more”. Following Gerring’s statement, this thesis chooses to know more about less by focusing on a multiplicity of factors that

could potentially affect state behaviour in a specific dyadic relationship. A second important advantage of case study research, according to Blatter and Haverland (2012:144), is the possibility to reflect on the close relationship between theory and empirical observations. Theory is important in case studies to give useful meaning to empirical observations and reflection is needed to check whether the abstract theoretical concepts are relevant in the specific case looked at. Combined with the multiplicity of observations, this feature increases the so-called thickness of case studies (Blatter & Bume, 2008:317,318; Berg, 2009:326; Van Thiel, 2007:97; Yin, 2009:47). Lastly, the case study as a research strategy is chosen, because it enables the researcher to include the wider context of the dyadic relationship. Considering the high complexity of the South China Sea dispute, the Sino-Philippine situation cannot be analysed without including the broader geopolitical and historical context (Yin, 2009:2,8,11,13; Buttolph, Johnson, Reynold & Mycoff, 2007:60-87).

2.1.1 Various Methods to Case Study Research

Case study research can be executed through three types of approaches, according to Blatter and Haverland (2012:xvi): co-variational analysis, causal-process tracing and congruence analysis. While the latter approach is applied here, all three will be shortly elaborated upon to show the added value of taking a congruence analysis approach to case study research.

The most dominant perspective within Political Science is co-variational analysis. It is used to study whether co-variation exists between an independent variable (X) and a dependent variable (Y) and thus if that X has a causal effect on Y. Co-variation, however, does not show which value of X causes a particular effect in Y and does not stipulate the direction of the relation between variables. Therefore, theoretically deduced hypotheses inform the researcher about the direction and value of that relation (Haverland, 2012:33-35,63; Blatter & Blume, 2008:316,318-320). Secondly, causal process tracing aims to draw conclusions on the functioning of causal mechanisms and focuses on the specific interaction between different causal factors through time and space. Instead of using deductive thinking, researchers use case observation to identify within-case implications of causal mechanisms and to follow the different steps between cause and effect. The Y-centred approach assumes that multiple factors combined are responsible for causing a certain outcome (Blatter & Blume, 2008:316,319-321; Blatter

& Haverland, 2012:81). Lastly, out of the three, congruence analysis is the most theory-centred approach to case study research. In order to explain a certain case in-depth, multiple theories (or paradigms) are used next to one another to clarify the central case. Congruence analysis consequently looks at the (non)-congruence between empirical observations and the theoretically deduced expectations of social reality that are formulated prior to executing the analysis. Eventually, researchers applying congruence analysis will draw inferences regarding the relative strength and explanatory power of the various theories with regard to the case under scrutiny (Blatter & Haverland, 2012:144,145,150,152; Blatter & Blume, 2008:316). Since this method is used to analyse the central case, it will be explained more extensively below.

2.2 Research Strategy: Congruence Analysis

As stated earlier, theory takes in a central position within congruence analysis. As Blatter and Haverland (2012:148) put forward: “[T]heories shape our knowledge about the social and political reality mainly by their focusing and framing effects”. Theories focus one’s attention to some characteristics of social reality, while (inherently) neglecting other features. Moreover, theories provide an interpretation framework with which one can analyse the empirical world and thus influence the perception and thoughts one has regarding social reality (Blatter & Haverland, 2012:148,149; Allison and Zelikow, 1999:3). However, within congruence analysis the central assumption is that theories only partially regulate our knowledge concerning social reality. Empirical observations form a means of control to determine whether or not theories provide accurate expectations for it. The purpose of empirical research then is twofold: to look whether the theory focuses on the most relevant explanatory factors for social reality and to reveal the features of causal processes that are most significant to social actors. This is why the combination of theory and empirical research is of key importance and especially the intensive reflection on their relationship, which is an important part of congruence analysis. More concretely, this case study approach focuses on “the link between every significant observation and one or more abstract concepts” (Blatter & Blume, 2008:334). Due to this reflection and the ability of the researcher to look for a broad range of information within the case, theories can be tested. The reflection process is done in three steps in which the first and last one are ‘inferential leaps’

between various abstraction levels: The first one is a deductive step in which theoretical expectations regarding social reality are formed. Afterwards, theoretical predictions and concrete observations are compared. Lastly, the final step entails the inductive reflection on “which theory makes (more) sense for a specific observation” (Blatter & Blume, 2008:325) and is executed by determining whether concrete observations are congruent with the theoretical expectations. Eventually the analysis thus draws inferences regarding the relevance of the various theories to the case by looking at both confirming and dis-confirming evidence in empirical observations for the theoretical expectations formulated (Blatter & Blume, 2008:325,334,350; Blatter & Haverland, 2012: 5-8,144-150,152,165,166). This is also described by Yin (2009:136-140) as pattern-matching for independent variables. This analytical technique is used when a certain type of outcome is known (state behaviour in this thesis) and the analysis wants to find out how and why this outcome has occurred (which factors influence it). Predicted patterns are compared to observed patterns, which corresponds to the technique used in congruence analysis. With regards to the formulation of the rival (theoretical) propositions, it is important that they are mutually exclusive meaning that if a proposition derived from a certain theory is to be valid, the other theoretical explanations cannot be (Yin, 2009:136-140).

There are two variants of congruence analysis: the complementary theories approach and the competing theories approach. The former uses various theories next to one another to check whether a certain theory provides insights that the other ones do not. The competing theories approach, which is applied in this thesis, looks at which of the theories provides a better explanatory framework for (certain parts of) the case. Consequently, the most valuable empirical observations are the ones that discriminate between the rivalling theories. This means that they provide evidence for the applicability of one theory while ruling out the explanatory power of the other for that specific observation. However, most observations do not have this ability (Blatter & Haverland, 2012:5-8,144,145; Hall, 2006:27; Blatter & Blume, 2008:325,332,333). Since this thesis’ research question leaves room for a multiplicity of causal factors, as explained earlier, it is only logical to incorporate various theoretical approaches to study state behaviour in the Sino-Philippine dyad. Therefore, the analysis applies two main IR theories – Realism and Liberalism – to make sense of ‘the real-world situation’.

Lastly, it is important to note that this thesis slightly deviates from the pro-typical form of congruence analysis in which the main goal is to contribute to the academic discourse through making inferences regarding the significance and relevance of a specific theory or paradigm in relation to the other(s). In this situation, theories are chosen first and the case(s) that is most appropriate for testing the theories is selected accordingly. However, here we use congruence analysis to shed light on a socially important case. As Blatter and Haverland (2012:150) state: “[In such instances], the empirical case study is not instrumental for theoretical development and paradigmatic competition, but the theoretical approaches are used to explain the concrete empirical case(s). In consequence, case selection comes first and theory selection comes second.” Still, since emphasis is put here on theory application, it is important to include the most significant theories in the field of IR to form a firm academic foundation for the explanation of the research situation (Blatter & Haverland, 2012:147,148,152).

2.2.1 Selection of Case and Theories

The researcher has firstly selected the central case (see section 1.1). Consequently, two theories (Realism and Liberalism) have been chosen on the basis of the largest meta-theoretical paradigm within IR: Rationalism. Both theories share a Rationalist ontology in which the main units of the social world are states, which are regarded to be unitary actors. Their identities, interests, and preferences are assumed to be relatively stable throughout time. Rationalism favours material (e.g. military power and economic welfare) as opposed to ideational factors (social norms) in explaining state behaviour. Material factors are thus “independent of the human mind” and constitute social reality (Blatter & Haverland, 2012:7; Schimmelfennig, 2003:18,19). The Rationalist paradigm is chosen to apply, because it is still the dominant one in explaining state behaviour in territorial disputes. Moreover, it forms a strong theoretical foundation for the empirical analysis, as it is the oldest and most applied paradigm within IR. Therefore, both Rationalist theories have broadly developed themselves and entail a broad range of explanatory factors that the researcher can use in the analysis. The two theories are also competing: While Realism is often used to explain causes of conflict and war between states, Liberalism highlights the avenues through which states can stabilize relationships and even cooperate. Therefore, these two schools of thought are appropriate to look at variations in state behaviour over time in which some periods are

characterized by escalation, while other can be marked by de-escalating tendencies. Moreover, they look at different explanatory factors, as is the purpose within congruence analysis (Blatter & Haverland, 2012:150,152).

2.3 Validity and Reliability of the Research Design

The validity and reliability of the research design should be specified in order to check whether the analysis will measure what it should measure; whether findings are generalizable (and if this is even the purpose); and whether the design is objective and will produce the same results when repeated.

2.3.1 Internal and External Validity

The validity can be divided into internal and external validity in which the former concerns the accurate measurement of the main concepts in the analysis and the latter the generalizability of conclusions. The *internal validity* is high when the theoretical expectations measure what they were supposed to measure and when various abstract predictions are clearly distinguished from one another (Kellstedt & Whitten, 2009:94; Van Thiel, 2007:56). According to Blatter and Haverland (2012:166), the concept validity is assured when “(predicted) observations express the meaning of the abstract conceptualization in an accurate manner”. One could account for this by keeping in mind the vertical forms of control. Vertical control concerns the different levels of abstraction within a theory, from paradigmatic concepts being the most abstract to empirical indicators being the least abstract. The control is executed via the formulation of abstract propositions (predicted observations) based on the main theoretical concepts. These propositions should clearly specify the meaning of the abstract concepts and the implications of that meaning for the analysis (Blatter & Haverland, 2012:155,156,166,175; Blatter & Blume, 2008:327). However, since abstract concepts are not deduced to observable indicators within congruence analysis, the researcher should take into account that leaving room for the richness of the concepts means that it decreases the accurateness and transparency of the process in which the inferential leap is made regarding congruence. Therefore, the researcher should carefully justify her conclusions with regards to (non-)congruence (Blatter & Haverland, 2012:166). Yin (2009:136-140) adds to this that when low levels of precision are reached regarding the formulation of propositions, it is important to avoid formulating them with only slight

differences. Proposition should vary greatly so that inferences can be made with more certainty regarding their conformation or dis-conformation.

The *external validity* concerns the generalizability of the research findings. An often-named drawback of case studies is that their findings are harder to generalize due to the full-focus on one particular case. The depth of case study analysis is often said to be at the expense of the breadth (and thus generalization) of the research findings, as is important in large-N studies. However, within congruence analysis there is no such trade-off, since generalization to other cases is not the aim. Generalization within congruence analysis, however, concerns the implications of the conclusions on congruence between the applied theories and empirical reality for their relative strength and relevance within the broader theoretical discourse (Blatter & Blume, 2008:336). One can accumulate knowledge on theories that can be used in the wider discourse and can thus engage in a sort of theoretical generalization. Plurality of theories is a prerequisite for this.

2.3.2 Reliability

Lastly, the *reliability* (or objectivity) of the analysis is determined by “the extent that it is repeatable or consistent; that is, applying the same measurement rules to the same case or observation will produce identical results” (Kellstedt & Whitten, 2009:92). Because qualitative methods are less rigid than quantitative ones (lack of rigor is an often-heard critique to case study research), it is important to be as systematic as possible in executing research so that others have the possibility to reproduce it subsequently (Berg, 2009:9; Van Thiel, 2007:55). However, within social sciences this can be a challenge in itself: “the changing nature of the phenomena scrutinized by qualitative researchers renders such provisions problematic in their work” (Shenton, 2004:71). Within congruence analysis, the reliability of the research is increased through the formulation of ex-ante theoretical expectations prior to the execution of the empirical analysis (Blatter & Blume, 2008:327; Blatter & Haverland, 2012:161,162). Levy (2008:4) states in this regard that the analysis is “structured by a well-developed conceptual framework that focuses attention on some theoretically specified aspects of reality and neglects others”. Not only is the empirical analysis based upon academic debates, the theoretical choices are also explained and, therefore, the underlying assumptions of this

research are made more explicit. Because these theoretical lines of thought structure the empirical analysis, the analysis is furthermore easier to validate (Levy, 2008:5). Apart from the theoretical choices, the researcher also clearly states which methodological and topical choices have been made within the research design and why. Consultation with the researcher's thesis supervisor about research methods and techniques during the execution of the research has been a way to test the appropriateness of the choices made (Van Thiel, 2007:55,56; Berg, 2009:329,330). Another often-described drawback of case studies is "researcher bias towards verification" (Flyvbjerg, 2006:234,235), which means that the case study findings will confirm the researcher's predetermined perceptions of the research situation. This would naturally be at the expense of the analysis' objectivity. The main weapon against this bias in congruence analysis is the horizontal control: Two competing theories are used next to one another to shed light on the case. Their varying theoretical explanations function as controlling factors for one another. The researcher is looking for empirical evidence that can either conform or dis-conform the theoretical propositions: An ex-ante formulated proposition can thus also turn out not to be true (Blatter & Blume, 2008:325, 175).

2.4 Data Collection: Literature Study & Types of Data

The specific research method used to gather information for the (empirical) analysis is the literature study. Since a literature study provides an analysis in its own right, it is more than merely a summary of other scholars' findings (McNabb, 2010:304,305; Van Thiel, 2007:66).

According to Yin (2003: 85), as many different data sources as possible should be used when conducting research. Consequently, the researcher can shed light on the situation from different angles so that acquired information can be put in perspective. This thesis has used so-called primary and secondary resources. *Primary sources* include oral or written testimonies of people directly related to certain developments, such as statements from relevant Chinese or Philippine government officials. Moreover, *secondary sources* involve oral or written testimonies of people who were not present or directly involved in the developments. Still, the content is relevant to the specific research question and subjects analysed. Examples are academic articles, dissertations, books, expert information via research centres on topics such as, but not limited to, the

South China Sea history; Chinese and Philippine claims; and states' foreign policy actions. Moreover, news articles from internationally recognized sources such as BBC News and The Economist have provided information on key events in the dispute. Also, relevant documents published by international organizations, such as the United Nations and ASEAN, have been taken into account (Berg, 2009:389,390).

Since these secondary sources have been made for another purpose than this thesis, the researcher has been careful to use sources that are appropriate to answer the central question or enable one to better understand the research subject. An example of checking appropriateness was the publishing date of literature, which revealed the historical and strategic context at the time of writing and the key events that had or had not yet occurred (Berg, 2009:388,389; Van Thiel, 2007:119). In selecting the sources, the researcher has moreover taken into account the academically soundest sources, such as scholarly empirical articles and dissertations, and has tried to eliminate those that are not, like local newspapers (Berg, 2009:389,390).

Lastly, with regard to the types of data used: As qualitative research is conducted here and qualitative methods are used, the data gathered is mainly qualitative in nature (such as opinions, complaints, policy documents). Moreover, since the level of analysis is aggregate, the data gathered is also mainly collective in nature. Quantitative data has only been used to support arguments when adding to the clarity of the analysis (Yin, 2003:85; Berg, 2009:301; Van Thiel, 2007: 115-117,119).

3. Theoretical Framework

This theoretical framework will provide the analytical structure with which the central case will be analysed. The chapter will firstly reflect shortly upon the existence and definition of territorial disputes as the main concept in this thesis. Then, it will discuss the choice for this particular framework, since analysis regarding state behaviour in international politics can be executed through a broad array of approaches. Consequently, the two main schools of thought within International Relations (Realism and Liberalism) will be elaborated upon as well as their implications for foreign policy analysis. Lastly, the specific theoretical link to foreign policy behaviour within international territorial disputes will be made to complement the more general approach to foreign policy taken before.

3.1 Territorial Disputes

Despite increasing cooperation and interdependence in today's world, international politics has also remained to be characterized by conflict. Historically, one of the principal causes of interstate conflict is contention over territory, especially in those disputes that escalated into armed conflict (Huth, 1996:4,6,7). In the post-Cold War era, we have for instance witnessed the Gulf War in the early 1990s where Iraq invaded Kuwait; the intractable Middle Eastern conflict where Israel and Palestine fight over territorial control; or very recently the Russian-Ukraine conflict over the Crimean Peninsula.

In this thesis, a territorial dispute is defined as a disagreement between states regarding the exertion of sovereignty over a certain territorial area or regarding the exact location of borders. While there will be interstate friction, armed conflict does not necessarily have to occur for the case to be specified as a territorial dispute (Simmons, 2006:261; Huth, 1996:19). According to Huth (1996:19-23), several types of territorial disputes can occur: Firstly, disputes exist in which two states disagree over the location of a border and thus "seek to define the outer territorial limits of their recognized rights of state sovereignty" (Huth, 1996:23). Such disputes take place when an official agreement on the border demarcation (such as a treaty) is interpreted differently, is unclear or is non-existent. In the latter case, governments might focus on historical evidence or international law to substantiate their claims, such as in the South China Sea dispute. A second type of territorial dispute occurs when State A does not acknowledge the sovereignty of State B and therefore it does not recognize the existence of State B. The case between Morocco and Mauritania in 1960 is an example of this, since the former did not acknowledge Mauritania as an independent state based upon historical arguments. Moreover, Morocco wished to exert sovereignty over the Mauritanian territory. Lastly, there are territorial disputes in which State A does not recognize the authority of State B over a certain part of the latter's territory. State A can occupy that territory directly, like Israel occupied the Golan Heights previously held by Syria in 1967. The government can also support movements or groups that undermine State B's sovereignty, such as in the Pakistani-Indian dispute over Kashmir, where Pakistan claims that the population of Kashmir favours union with Pakistan (Huth, 1996:19-23; Simmons, 2006:261).

Interstate territorial disputes often come into existence when state A challenges the status quo by issuing a public statement, while the challenged state B discards that statement and emphasizes the legitimacy of its rights in the status quo. The dispute continues unless the challenging state withdraws its claims; the challenged state accepts the territorial claims made through an official agreement; both parties accept the ruling of the International Court of Justice or an international arbitration panel (Huth, 1996:23).

3.2 An Analytical Framework for Studying Foreign Policy

This thesis seeks to gain insights into state behaviour within the above-described phenomenon, which can be analysed by focusing on states' foreign policy choices. However, the study of foreign policy can be approached in many different ways due to the multi-faceted characteristics of foreign policy itself. It has a "double-sided nature", because it is positioned on the interface of the internal and external affairs of a state (Carlsnaes, 2012:113; Carlsnaes, 2002:334,335). Furthermore, foreign policy involves both sides of the well-known agent-structure debate within IR (see later). Therefore, one can say that to inclusively study a state's foreign policy means ideally to include various actors, structures, domestic and international factors and their mutual relations. However, doing so would most likely confuse both scholars and readers. Therefore, the researcher should choose a certain approach to studying foreign policy, so she can create analytical structure and increase comprehensibility (Carlsnaes, 2012:114,124,125; Hill, 2003a:28; Carlsnaes, 2002:344).

This thesis focuses on foreign policies themselves and views them as distinct from processes of foreign policy decision-making, since policy choices are the outcome of decision-making processes. Foreign policies are defined here as certain actions or undertakings of states in order to obtain specific goals. These actions make up the international behaviour of states (Carlsnaes, 2012:116-118; Hermann, 1978:34). Theories of foreign policies then "make predictions for dependent variables which measure the behaviour of individual states" (Elman, 1996:9).

Within the field of IR, it is often claimed that IR theories, such as neorealism, are not suitable for analysing foreign policy behaviour of states due to their system-level focus.

Unit-level theories would then be more appropriate to look into the foreign policy behaviour (Elman, 1996:7; Carlsnaes, 2002:331). However, Carlsnaes (2002) has elaborated on various contemporary (IR) theories, which can be useful when analysing foreign policy behaviour and which he grouped according to their ontological and epistemological foundation. Firstly, Carlsnaes (2002:335) distinguishes between individualistic and holistic ontological foundations of social systems. Individualism entails that “social scientific explanations should be reducible to the properties or interactions of independently existing individuals”. Holism, on the other hand, takes the view that “the effects of social structures cannot be reduced to independently existing agents and their interactions” (Wendt, 1999:26 in Carlsnaes, 2002:335). This relates to the old agency-structure dichotomy within the social sciences, where bottom-up (agency) approaches centre actors and their actions, while *structure*-focused approaches are top-down and look at for instance political and economic structures at both the international and domestic level (Carlsnaes, 2012:114,124,125). Secondly, Carlsnaes (2002:335) looks at the epistemology of social agency, which has consequences for the view on human agents and their actions and the “types of stories” told about states’ behaviour. Firstly, Objectivism models its view on the natural sciences and explains social action from ‘the outside’ as rational and cognitive. On the other hand, Interpretativism is embedded in the social sciences and tries to understand social action from ‘within’ by including the inter-subjective meanings, intentions and social rules (Carlsnaes, 2002:335). Combining the ontological and epistemological dimensions, one finds various suitable theoretical approaches for analysing foreign policy behaviour, which can be grouped into four perspectives (see table 1).

Ontology	Epistemology	
	Objectivism	Interpretativism
<i>Holism</i>	Structural perspective (Realism, neo-realism, neoclassical realism, Rationalist Liberal theories such as democratic peace, economic interdependence, neo-liberal institutionalism)	Social-institutional perspective (Social constructivism, discursive approaches)
<i>Individualism</i>	Agency-based perspective (Liberal theories, like utilitarian liberalism, 2-level games)	Interpretative actor perspective (Foreign Policy Analysis)

Table 1. Four perspectives in the study of foreign policy¹

¹ Source: Carlsnaes, 2002: 336; Ranke & Dunne, 2007:93

This thesis' analysis follows a structural perspective to analysing foreign policy, meaning it views actors "as rational or cognitive agents in social systems" (objectivist epistemology) and treats action "as a function of a pre-established social order" (holistic ontology) (Carlsnaes, 2002:335). The specific lenses chosen within this structural approach are the two main schools of thought within International Relations (IR): *Realism* and (rationalist) *Liberalism*. According to Walt (1998:30), "[n]o single approach can capture all the complexity of contemporary world politics. Therefore, we are better off with a diverse array of competing ideas rather than a single theoretical orthodoxy". Using both their varying insights will thus enable one to shed light on different aspects of the case, thereby enriching the analysis (Carlsnaes, 1992: 245,246; Carlsnaes, 2012:118,124; Wohlforth, 2012:35). The following will therefore explore the basic expectations of both schools of thought regarding the workings of the world around us. Understanding these assumptions will allow one to differentiate between Realism and Liberalism and is therefore of key importance (Wohlforth, 2012:35). Moreover, various theoretical sub-schools and their expectations regarding the influence factors for state behaviour are specified. The chapter ends with Realist and Liberal propositions regarding foreign policy behaviour.

3.3 Realism

Realism is often valued as the "most prominent [IR] theory of war and peace, which is regarded as the most pressing issue in international politics" (Peou, 2002:120; Forsberg, 1996:434). According to Walt (1998:31), Realism provides "simple but powerful explanations for war, alliances, imperialism, [and] obstacles for cooperation". This school of thought was therefore most influential in international politics during the Cold War. Moreover, it is often perceived to be the cornerstone of IR theory from which other theoretical schools have flown. This significance makes understanding its basic assumptions of key importance to any scholar or student of IR. While various theoretical sub-streams have come into existence, such as neorealism, several key elements are characteristic for Realist theorizing in general and are therefore essential to understand. These core elements, which can be found in the works of great Realist thinkers, such as Thucydides, Hobbes, Carr and Morgenthau, will be discussed next (Walt,1998:31; Dunne & Schmidt,2001:123,141-143; Wohlforth,2012:35,36; Smith, Hadfield & Dunne, 2012:8).

3.3.1 Realist Assumptions

The Realist line of thought makes predictions about international politics in an anarchic world system. Realists focus herein on **groups** as their main unit of analysis. As Carr (1946:95) states: “Man has always lived in groups. [...] All attempts to deduce the nature of society from the supposed behaviour of man in isolation are purely theoretical, since there is no reason to assume that such a man ever existed”. The relations between group members can be strong. However, this group unity (at the state-level one would call this nationalism) can also lead to conflict situations with other groups. Since the Treaty of Westphalia in 1648, Realists have translated this belief of groupism into **statism** more specifically: They identified sovereign nation states as the prime group-actors in international politics and made them the focus of their analysis (Walt, 1998:38; Dunne & Schmidt, 2001:143,144; Wohlforth, 2012:36; Carr, 1946:95).

Realists differentiate between the domestic and the international realm and distinguish different types of state behaviour accordingly. Generally speaking, a group functions to control the relations between its members and the same can be said for the state: It regulates its internal affairs as an overarching body that is legitimized by the will of its group members (the people). The state provides its people with security and wealth opportunities for instance. However, the distinguishing factor between the domestic and international realm is the **anarchic nature** of the latter, which means no central overarching authority is present to regulate interstate relations. This anarchy influences state behaviour in international politics: The associated insecurity of non-regulation in the international system leads them to compete with one another for influence and power – possibly leading to conflict and war. Thus, Realists perceive the international realm to be conflictual and characterized by interstate strive and competition (Dunne & Schmidt, 2001:123,143,144,150,151; Wohlforth, 2012:36; Walt, 1998:31,38; Mearsheimer, 1994/95:9–10; Linden, 2000:122). In that sense, one could argue that Realists view the presence of a central authority as a prerequisite for peace and order (domestically) and thus its absence as a cause of violence and insecurity (internationally).

Within the Realist perspective, states are essentially **egoistic** and will ultimately always behave according to their self-interest. The insecurity fostered by the anarchic nature of international politics leads states to perceive their own **survival** as the core interest. It is the one interest that they all share, because as Waltz (1979:91) puts forward:

“beyond the survival motive, the aims of states may be endlessly varied”. Examples of this variation can be a focus on independence or territorial conquest (Dunne & Schmidt, 2001:123,144,151-153; Walt, 1998:31,38; Peou, 2002:120; Mearsheimer, 1994/95:9-10; Donnelly, 2004:9).

International politics, and politics in general, is viewed as a **(zero-sum)** struggle for **power**, which is defined by Morgenthau (1948:14) as “man’s control over the minds and actions of other men. [...] Whatever the material objectives of a foreign policy, such as the acquisition of sources of raw materials, the control of sea lanes, or territorial changes, they always entail control of the actions of others through influence over their minds”. This Realist emphasis on power within international relations is derived from its focus on the anarchic system combined with the egoistic nature of states. Power is needed to obtain security and ensure state survival and, therefore, powerful states are more likely to survive than less powerful ones. To achieve this, states have to rely on their own capacities instead of on other states or on international institutions like the United Nations. Since there is no overarching authority in the international realm, states find themselves in a **self-help system**. Power can be executed in terms of having influence and control on politics (social power) or having a large amount of resources (material power) to coerce others. Moreover, power is both relational and relative: When a state exercises power, it does so in relation to others and, moreover, according to calculations about its own capabilities as well as the other states’ capacities. States must try to maintain or enhance their **relative power position** within the international system, even when economic costs are high. Realists see **military capabilities** (such as the number of tanks, aircrafts and troops) as the most important indication of a state’s power, because military strength can force other states to do something they would not have done otherwise (Walt, 1998:38; Dunne & Schmidt, 2001:144,150-153; Wohlforth, 2012:36,37; Carr, 1946:97; Donnelly, 2004:10; Keohane & Nye, 1987:729).

3.3.2 Neorealism - Drivers of Foreign Policy

It is important to note that the Realist tradition in IR has diversified through various emerging sub-schools (Donnelly, 2004:7). For this thesis, **Neorealism** will be used to identify Realist Factors that influence states’ foreign policy. Waltz (1959) is seen as the founder of Neorealism, which was developed as a reaction to Classical Realism. The main difference is that Neorealism does not view power as an end in itself (like classical

realists do), but as a means to a greater goal, namely state survival. Next, three factors (derived from Neorealism) that influence states' foreign policy will be elaborated upon (Morgenthau, 1948:4,5; Wohlforth, 2012:38).

3.3.2.1 The Anarchic International Structure

States survival as the main goal of states is generated by the international system in which they operate. This anarchic structure has consequences for competition and conflict between states and thus for the way states behave in that international structure (their foreign policy behaviour). Two Neorealist sub-strands have different predictions with regard to the behaviour that anarchy generates. One of them expects states to naturally engage in offensive behaviour to acquire more power (**Offensive Realism**), while the other assumes that states will contrarily practice restraint to not acquire too much power (**Defensive Realism**) (Morgenthau, 1948:4,5; Wohlforth, 2012:38).

Defensive realists (such as Waltz and Snyder) believe that security maximization is the prime goal of states. States should therefore practice some restraint in their hunt for power and should only strive for an "appropriate amount of power" (Waltz, 1979:40). This is due to three main reasons: Firstly, power maximization is unwise, because if State A is perceived as becoming too powerful, other states will engage in balancing behaviour against state A, which will harm the latter's position and thus security (see 3.3.2.2). Secondly, certain conditions such as group identity, technology and geography influence states likelihood to engage in war, since some states will be harder to conquer than others (see 3.3.2.3). Lastly, defensive realists believe that the costs of conquest (or other aggressive behaviour) would generally overshadow the gains, which makes it less appealing. The offensive party has the highest risk of being defeated. Therefore, states would only engage in war when domestic groups have overstated threat perceptions or when states have enormous faith in their military successes. The international system can thus be more peaceful than (neo)realist theory might expect and domestic and ideational factors weigh more in defensive realist thinking than in previous Realist theorizing (Wohlforth, 2012:38,39; Walt, 1998:37; Donnelly, 2000:16,17; Schimmelfennig, 2003:28-33; Mearsheimer, 2010:78).

Offensive realists (such as Mearsheimer and Zakaria), on the other hand, believe that states are always striving for power maximization to optimize their security position in the system. More (military) power and more influence mean more security, which make states more likely to engage in aggressive behaviour to maximize their power.

However, states do not increase their own power at any cost; they calculate the costs and benefits of each prospective action and choose the most efficient option. Moreover, offensive realists stress the uncertainty of the future and state that current peace-causing conditions are no guarantee for a peaceful future. An external increase of power should therefore always be treated with wariness. The competitive nature of anarchy remains the key focus and internal state characteristics are inferior (Wohlforth, 2012:38,39; Walt, 1998:37; Donnelly, 2000:16,17; Schimmelfennig, 2003:28-33; Mearsheimer, 2010:78). Both Neorealist strands expect states to search for power in order to ensure their survival, but thus differ in how far states would be willing to go to increase their power position (and if states even should want to).

3.3.2.2 Relative Gains

Since Realists believe states are concerned with relative gains and consequently centre relative power in their analysis of as a driver of foreign policy, an evident extension flowing mainly from the Defensive Realist strand is a balance of power between nations. No state wants another one to be able to dominate all others. Therefore, states will try to check the accumulation of power by another state through enhancing their own. There are different methods for states to do so. As Morgenthau (2004:125) states: “The balancing process can be carried on either by diminishing the weight of the heavier scale or by increasing the weight of the lighter one”. The former can be strived for through trying to divide opponents or by keeping them separated. Morgenthau provides the example of the former Soviet Union, which tried to oppose and block the formation of a unified Europe from the 1920s on (Morgenthau, 2004:125,126). The latter, increasing the weight of the lighter scale, can be achieved in two ways. First of all, state A can try to increase its own capabilities, thereby enhancing its power relative to state B (**internal balancing**). The risk of this, however, is an armaments race, because states automatically threaten the security of other states when enhancing their own. Realists call this the security dilemma (Morgenthau, 2004:126; Wohlforth, 2012:40; Dunne & Schmidt, 2001:144,151-153). Another option is that state A can form alliances with other states to balance against State B (**external balancing**). It will only do so when it believes it is not strong enough to rely on its own strength or when the advantages of participating in the alliance (increasing power and security) outweigh the costs of the necessary commitments (decreasing independence and constraints on foreign policy choices). A real world example is the security alliances of NATO and the Warsaw Pact as

a result of the Cold War. In general, smaller states have fewer opportunities to balance internally to oppose an external threat. Therefore, they will more likely use external balancing strategies instead (Morgenthau, 2004:126; Wohlforth, 2012:40; Dunne & Schmidt, 2001:144; Hut, 2009:50).

Another option in the face of an external threat is for a state to engage in 'bandwagoning'², which means that it will align itself with the threat. According to Walt (1987:19-21), a state might do so either because it hopes to circumvent being attacked or (in war) because it wants to share the spoils after victory is achieved. The underlying logic is simple: "States are attracted to strength" (Walt, 1987:19-21). Walt predicts smaller states to be more prone to such behaviour due to their weak power position. However, the risk is loss of independence (Elman, 1996:24,52; Walt, 1987:29-30).

3.3.2.3 Threat Perceptions

The Realist balance of threat theory is an extension of the balance of power as explained above. The theory assumes that a state will not only respond to other states' power, but also adapt its behaviour according to its **threat perceptions** of others. Whether a state is perceived by others to be a threat is dependent on four factors (Walt, 1985:8-12; Wohlforth, 2012:41):

1. **Aggregate capabilities** of a state: states that have many resources at their disposal (economic, military, technological expertise et cetera) form a greater threat.
2. Geographical location in terms of **proximity**: the greater the distance, the smaller a state's ability to project power.
3. **Offensive capabilities**: the greater a state's offensive competences are, the higher the risk that they will be used to threaten another one.
4. **Offensive intentions**: states that are perceived by others to be aggressive, are likely to appear threatening and therefore to trigger balancing behaviour by other states.

² With the case in mind, one can conclude that empirically speaking bandwagoning did not occur as the weaker state, the Philippines, did not choose to align itself with China, but with the U.S. which had similar security interests, namely preventing China from becoming too influential.

As Wohlforth (2012:41) puts forward: “If one state becomes especially powerful, and if its location and behaviour feed threat perceptions on the part of other states, then balancing strategies will come to dominate their foreign policies”. When statesmen signal tendencies of a balancing environment, they should choose policies that show no aggression and demonstrate goodwill. Walt (1985:14) argues in this regard “Foreign and defense policies that minimize the threat one poses to others make the most sense in such a world”.

3.3.3 Realism & Territorial Disputes

Now that Realist factors that potentially influence foreign policy have been specified, we will link Realism to where this chapter started with: territorial disputes. Throughout history, states have contested territory to further economic or military material interests. Morgenthau (1985:127-136) named territorial characteristics, such as natural resources and geography, as important elements of state power. Moreover, state borders are important to Realists, since they define the physical space to exercise sovereignty (state power) and ensure survival (state security). Interstate territorial conflict is therefore grounded in the disconnection between states’ security interests. Furthermore, territorial contest is a zero-sum game, since only one state can exert authority over a territorial area. Therefore, states will not want to cooperate in joint projects for economic development of resources. Realists view a state’s military strength (and thus relative power position) as an important factor for its probable influence in a dispute (Simmons, 2006:253,254; Goertz & Diehl, 1992:51; Huth, 2009:17). Related to this, a state’s international strategic environment is key for Realists: Its military history in terms of defeats and alliances as well as possible reactions by neighbours, adversaries and allies will be also taken into account (Huth, 2009:18,19).

Since the central case focuses on a maritime region, sea power will also shortly be outlined here. According to Geoffrey Till (2009:22), seapower has shifted from the strength of the navy to also include non-military characteristics of sea-use, such as commercial shipping, fishing and ship repair. Seapower is relative and can influence the behaviour of other actors. Four historic attributes of the sea influence states’ interest in its control: the sea as a resource; the sea as a means of transportation; the sea as a means of gaining and exchanging information and; the sea as an area of dominion (Till, 2009:23,287,290,299,301). This relates to the strategic value of territory that

determines whether states will be interested in taking (offensive) action or not: Huth (2009:50,51) puts forward that the territory is strategic when it increases the power projecting capabilities of states; when it allows states to establish military presence nearby major trade routes; when it enables the state to establish an extra defence border around its current territory; or when it prevents other states from establishing a military power base closer to the own borders. The same logic can be applied to the economic value of the territory, in which the location of known economic resources can be an incentive for a state to pursue territorial control.

3.4 Liberalism

Next to Realism, the discipline of International Relations has another traditional and influential school of thought within foreign policy-making: Liberalism. Liberal theories of IR enable the researcher to include domestic actors or structures to study states' foreign policy behaviour. These are thus second-image approaches that see "explanations for international outcomes [as] located at the level of the state" (Ranke & Dunne, 2007:90). Liberalism is ontologically and epistemologically diversified, however, which makes it important to specify the type of Liberal theories used. Due to the structural approach in studying foreign policy taken here, Liberal theories that prioritize (domestic) structures over individual agents are used (fitting the holistic ontological approach). There is an analytical focus on domestic polity (not politics, which would include for instance societal groups that influence foreign policy) when explaining state behaviour at the international level (see 3.4.1). Moreover, since this analysis has a objectivist epistemology, rationalist Liberal approaches will be used as opposed to constructivist ones (see later) (Ranke & Dunne, 2007:91-93; Wendt, 1992:394). According to Ranke and Dunne (2007:93), there are two main Liberal approaches that fit this structure-centred and rationalist focus: Liberal Democratic Peace and Economic Interdependence. Before elaborating upon them, the underlying Liberal assumptions will be outlined.

3.4.1 Liberal Assumptions

Compared to Realism, the Liberal approaches chosen here³ are rational, materialist and static in nature as well: (i) They focus on rationally behaving actors; (ii) they mostly centralize material factors, such as power, money and resources, to explain states' foreign policy behaviour; (iii) and they see the anarchic international system we live in as exogenously given (Wendt, 1992: 394; Jackson & Sorensen, 2007: 162; Baldwin, 1993:4-8). Realism and Liberalism have different assumptions, however, regarding the consequences of **anarchy** for state behaviour, which Realists view as more constraining for state behaviour: As Walt (1998:30) brings forward, while Realism provides explanations for the lasting tendency for states to engage in conflict with one another, Liberalism specifies several ways in which such tendency to conflict in state behaviour is lessened and in which **international cooperation** is more likely. Moreover, Liberalism focuses on international interdependence, which is often neglected by Realists (Flockhart, 2012: 79; Walt, 1998:48; Nye, 1988:238; Pollack, 2000:4; Baldwin, 1993:4,5,7; Doyle, 2012:65,66). Another difference between Realism and Liberalism lies in their varying expectations regarding state preferences – especially when it comes to the importance of security and of absolute gains or relative gains respectively in states' rational interest calculations. In the Liberal perspective, states are self-interested actors searching for power and security; however, they also have **economic incentives**. Thus, states within Liberalism focus on both self-preservation and (material) welfare (Pollack, 2000:4; Owen, 1994:89,93,94; Keohane & Nye, 1987:728,729). Moreover, while Realists are mostly concerned with relative gains, Liberal theorists focus on the **absolute gains** that can be obtained from international cooperation as the main concern of states. This combined with the focus on welfare maximization leads to the Liberal expectation that states try to maximize their overall gains, irrespective of how much other states are gaining. However, Realists reject this idea, as they believe that insecure, weaker states will worry about the division of gains stemming from cooperation, while the most gaining state might use this to influence the lesser state (Waltz, 1949:105; Baldwin, 1993:5,6; Pollack, 2000:4; Keohane & Martin 1998: 390–2911).

Liberals put forward that all states that engage in trade and cooperative efforts can expand their wealth and welfare. From this focus on interstate collaboration, moreover,

³ These will further be referred to in a general sense as 'Liberalism', while thus acknowledging that many other Liberal approaches exist.

stems the formation of **international institutions** and organizations within world politics to regulate such cooperation, to reduce uncertainty among states and to achieve greater goals together (Owen, 1994:89,93,94; Keohane & Martin 1998: 390–2911; Peou, 2002:122). Examples of this are the establishment of the European Union and the United Nations.

While **states** are the key actors within the international system, this worldview also leads Liberals to pay attention to **other groups**, such as international organizations. Moreover, while states are seen as unitary actors, just as in Realism, they can vary in their reactions to international opportunities and pressures due to their **polity characteristics**. As stated before, these domestic structures – something Realists are not much interested in - influence states' behaviour in the international realm. One can differentiate between three polities: political (e.g. democracy/autocracy), economic (e.g. capitalist/command) and social (e.g. generally shared convictions, such as on human rights). Liberal theorists expect these domestic structures to influence the likelihood that states will cooperate with one another, as certain characteristics (democratic system, capitalist economy) promote this type of foreign policy behaviour (Ranke & Dunne, 2007:93; Linden, 2000:123; Doyle, 2012:54,55,65; Doyle, 1986:1151; Walt, 1998:32). These influencing structures will be elaborated upon next.

3.4.2 Structural & Rationalist Liberal Approaches – Liberal drivers of Foreign Policy

There are three rationalist approaches in Liberalism that use structural factors to explain state behaviour. As just outlined, all of them predict states to focus on **absolute gains** in the rational calculation of their interests, which (in combination with their focus on economic welfare) leads them to be open to cooperation with other states. This is thus the first influencing factor of states' foreign policy behaviour and is very distinct from Realism (Pollack, 2000:4; Owen, 1994:89,93,94; Keohane & Nye, 1987:728,729; Baldwin, 1993:5,6). The three approaches just mentioned stem from the core Liberal belief that the anarchic system in which states operate does not exclude them from establishing peaceful relations with one another by focusing on different explanatory factors: Domestic democratic institutions, trade and economic interdependence and joint involvement in international institutions and regulations. The first two are second-image theories that focus on characteristics of the state, while the third one goes beyond this and focuses on the international systemic level. Shortly, this Liberal theory asserts

that international institutions and regimes (such as the IMF or the UN) can foster interstate (lasting) cooperation by, amongst others, making state behaviour predictable, enabling information sharing and lowering transaction costs. However, this Liberal approach will not be used in this thesis to deduct an influencing factor for foreign policy. Since the analysis will conclude in stating which IR school of thought is most congruent with the empirical analysis, the researcher chooses to keep the approaches *within* a school of thought as analytically comparable as possible. Moreover, the two countries in this analysis (the Philippines and China) are not both part of the same international organization (ASEAN) (Oneal, Russett & Berbaum, 2003:371,372; Nye, 1988:246; Ranke & Dunne, 2007:93, 105,110; Keohane and Martin 1998: 390–391; Peou, 2002:122).

3.4.2.1 Domestic Democratic Institutions

The first expectation regarding foreign policy is grounded in the well-known Democratic Peace theory. Immanuel Kant already argued in the 18th century that liberal states have a separate peace among themselves and thus form a liberal zone of peace in which they pursue diplomatic ways of conflict resolution. The Democratic Peace Theory finds its empirical foundation in the fact that, indeed, democracies seldom go to war with one another while this empirical 'liberal peace' does not account for relations between liberal and illiberal states. The (structural) theoretical causal pathway underlying this empirical observation focuses on democratic institutions (polity structures) that hinder rational governments from engaging in aggressive behaviour towards other liberal states. Firstly, this is due to **regular competitive elections**: citizens usually oppose aggressive state behaviour and favour peaceful relations, since they are the ones to bare the burden of conflict. Once dissatisfied, the people can hold governments accountable through electoral punishment (a vertical checks and balances system). This makes a liberal government more reluctant to engage in aggressive behaviour. Secondly, the **power-dividing nature of democratic institutions** makes it necessary for governments to find a majority, which takes time (horizontal control) (Ranke & Dunne, 2007:96,97; Owen, 1994:90,99,100,103; Doyle, 1986:1151; Linden, 2000:123). Owen (1994:90) states: "Chief executives in democracies must gain approval for war from cabinet members or legislatures and ultimately from the electorate". Such mechanisms

are not present in states without democratic institutions (illiberal states)⁴. Illiberal states do not necessarily seek their citizens' interests and can therefore be perceived to have other (aggressive and unpredictable) interests. Liberal states can therefore be triggered to engage in conflict with illiberal ones. They will not do so with liberal ones, because this type of political polity makes state behaviour more predictable: The other democracy is equally constraint. Moreover, democracies are more trustworthy to one another, because they usually share the same interests of self-preservation, material well-being and peace. Democratic institutions thus influence the foreign policy choices of states in a pacifying manner (Ranke & Dunne, 2007:96,97; Owen, 1994:90,99,100,103; Doyle, 1986:1151; Keohane and Nye, 1987:727). It must be noted that, while a structural Liberal approach is chosen, democratic institutions in themselves cannot be seen as completely independent from liberal ideas and ideology, which in essence have shaped the existence of such institutions.

3.4.2.2 Trade & Economic Interdependence

This Liberal argument puts forward that economic interdependence (in the form of trade) between states leads to peaceful interstate relations. Just as in the Democratic Peace Theory, the causal explanation for cooperative state behaviour is found in the domestic structure of states. This time the focus lies on the economic polity, meaning the type of economic system a state has. A state with a **Liberal economic structure** allows trading with other states and removes barriers to stimulate such relations. Trade, foreign direct investments, capital flows, joint exploitation projects regarding resources lead to economic benefits, which increase with the **interdependence** level between states. Consequently, the Liberal expectation is that the states will not engage in contentious behaviour, because doing so would become costly: Breaking the ties would be detrimental to the mutual benefits that flow from the economic exchange (Doyle, 1986:1151,1161; Ranke & Dunne, 2007:97; Keohane & Nye, 1987). Therefore, "avoiding a challenge to another liberal state's security or even enhancing each other's security by means of alliance naturally follows economic interdependence" (Doyle, 1986:11610).

⁴ Extending this argument of democratic institutions influencing foreign policy behaviour: a change in the configuration of the democratic governing institutions (as a result of elections) can also account for a change in the (foreign) policies of a state. However, this argument transcends the theoretical structural focus and moves into the relation between structure and individual agents (state-society). While outside the theoretical scope of this thesis, this explanation can historically account for big foreign policy changes, such as from Nazi-Germany to the post-war Bundesrepublik Deutschland or Imperial and post-Imperial Japan.

The underlying Liberal assumption is that states are welfare maximizers, which focus on absolute gains. As long as both parties can gain from the interstate trade, Liberals believe states are interested in pursuing such relations. Another Liberal argument is that, since states focus on material gains, trade is an efficient and cheap way to acquire material resources needed to pursue welfare and security goals. In that sense, it is interchangeable with military aggression – however, the latter type of foreign policy is costly. The more trade and consequent material spoils, the less need for military foreign policy tools, such as territorial expansion (Mansfield & Pollins, 2003:2,3; Keohane & Nye, 1987:727; Nye, 1988:247; Rosecrance, 1986).

It must be noted that this often-heard Liberal argument is not uncontested. The causal link between (private) trade and (public) foreign policy behaviour leading to peaceful relations is debated. When wanting to address this realistically, one has to use theoretical predictions about the state and society, which would enable one to include both the private and public sector. In that case, it would be especially relevant to see how corporate and civil society's preferences constrain states' foreign policy. However, this goes beyond the scope of this thesis due to the structural approach taken here (Simmons, 2003:31,33). A second point must be noted, namely that Realists theorize the link between interdependence and conflict in the opposite way: Interdependence would fuel violent conflict. According to Realists, interdependence creates vulnerability and an *asymmetrical* economic relationship (due to their focus on relative gains), which can be used by the powerful state to influence the weaker state to the detriment of the latter's security. As Liberman (1996:147) states: "Since wealth is the main source of military capability and other means of influence, cooperation that creates and distributes wealth affects security as well as welfare". Since the relative power position (and state autonomy) decreases and insecurity and suspicion increase, interstate conflict becomes more likely (Waltz, 1979:138; Liberman, 1993:125; Simmons, 2003:33; Liberman, 1996:147,148; Keohane & Nye, 1987:728; Oneal, Russett & Berbaum, 2003:374).

3.4.3 Liberalism & Territorial Disputes

In a (Liberal) world where interdependence and trade increase, one could argue that territory in itself (or mostly: borders) becomes less economically significant (Rosecrance, 1996; Stopford & Strange, 1991). Trade would now be an increasingly essential source for national power and international market competition would

therefore trump territorial competition (and the related struggle for natural resources) (Simmons, 2006:255). However, on the other hand, the territory of states remains the foundation for interstate trade, as it has consequences for, for instance, applicable regulations and likely trading partners. Still, territory might cause less interstate disagreement than Realists would argue, as states might want to resolve conflict through institutionalized arrangements to gain absolute benefits. As Simmons (2006:256) puts forward: "Primarily, [...] benefits flow from the certainty and the reduction in transactions costs associated with a normalization of relations regarding the border". As Liberals argue that states maximize welfare and strive for absolute gains and since conflict hampers (bilateral) trade levels due to higher risks for investment, it is economically beneficial to end/stall conflicts. Examples are the often agreed upon 'friendship and commerce' treaties that are signed by parties to resolve bilateral disputes, such as between Chile and Argentina (1984) (Simmons, 2006: 258,259).

3.5 Propositions regarding Territorial Disputes

The theoretical elaboration has provided us with several Realist and Liberal expectations regarding factors that influence foreign policy. The theoretical propositions that will be consequently formulated should have several characteristics: Ideally, they should enable the researcher to discriminate between the two main theories and thus be exclusive towards the other theory; they should be state-centered since they are regarded as the main units in the analysis; they should focus on (motivations for) state behaviour since this is the central focus; they should be diverse in their explanatory value; and they should be observable in empirical reality (Blatter & Blume, 2008:326). When formulating the propositions, influencing factors for foreign policies should not be mixed up with types of foreign policies.

3.5.1 Realist Propositions

Three realist factors influence various types of foreign policy behaviour in territorial disputes: the anarchic international structure, relative gains and power and threat perceptions. Realism predicts several foreign policy options for rational states that weigh their choices according to a cost/benefit analysis. Since states' relative power position is essential for Realist theorizing, there will be always a stronger and weaker state in a dyad. The position influences a state's policy options.

As the Realist theoretical elaboration has shown, **the anarchic system** in which states function, leads to a self-help system in which states are focused on their own survival. Rational states will always prioritize security-related goals and will look at their relative power position due to their antagonistic environment (Huth, 2009:46,47; Waltz, 1988:329).

Since the uncertainty of the anarchic system leads states to maximize their security and/or power, a state is more willing to take strong action to obtain or maintain control over a disputed territory, when it believes that doing so will help reach those goals.

The Realist focus on material (mostly military) power and states' relative power position leads to predictions about foreign policy behaviour for both weaker and stronger states, showing offensive behaviour or purposefully avoiding that and showing restraint.

When a state is superior in strength, it will be more willing to initiate offensive actions to obtain or maintain control over disputed territory; use (military, diplomatic, economic) pressure to influence the behaviour of its opponent; and less willing to consider concessions, such as resolution through compromise or joint undertakings, in relation to the other state.

When the opposing state or alliance is superior in strength as shown in previous military defeats or stalemates and the risk of defeat is therefore high, a state will show restraint by trying to avoid escalating the conflict through applying lower levels of (military) pressure and/or will strive for resolution through compromise or through other means.

Due to states' continuous focus on **relative gains and power** in interstate relations, states will always try to check the accumulation of power by another state.

Since states focus on relative gains and are concerned with their relative power position, a state will either try to increase its own material power through balancing behaviour and/or decrease the power of its adversary.

States can also take defensive action when they **perceive another state as a threat** due to its great aggregate capabilities; its proximate geographical location; its large offensive capabilities; or its perceived aggressive intentions.

When a state perceives another state/alliance as a threat, a state will try to balance internally by enhancing its relative power position through increasing its own military and/or economic capabilities. This tendency in state behaviour could consequently lead to a bilateral security dilemma.

When a state perceives another state/alliance as a threat and it does not have sufficient capabilities to rely on its own strength, it will balance externally by forming alliances with other states that have similar security interests out of the need to enhance its relative power position.

Lastly, a stronger state can also try to prevent adversaries from forming alliances through adapting its own foreign policy behaviour and decreasing its possible position as a threat:

When a state wants to avoid others to perceive it as a threat and consequently to engage in balancing strategies, it will choose policies that show no aggression and demonstrate goodwill.

These propositions based upon the Realist school of thought describe how states would act as a result of which influencing actors in territorial disputes in a Realist world. Therefore, they can be used to make sense of real-world events. In the later empirical analysis, these propositions will be tested within the Sino-Philippine territorial dispute in the South China Sea.

3.5.2 Liberal Propositions

As stated before, Liberalism specifies several ways in which states operating within an anarchic system are more likely to engage in international cooperation. While in the Realist propositions the anarchic international structure is portrayed as a driver of foreign policy, in Liberalism it is believed that this structure matters for state behaviour, but that the direct influencing factors of foreign policy are domestic structures or polities. The political and economic polity are seen here as essential for the eventual foreign policies states pursue. The one factor irrespective of a state's domestic characteristic is the states' focus on absolute gains to calculate their interests.

The liberal assumption regarding the anarchical nature of the international system is that, despite anarchy, states can show cooperative behaviour instead of contentious behaviour. Moreover, the focus on military power and security maximization has shifted towards other goals, such as welfare maximization through **absolute gains**, which has consequences for foreign policy behaviour.

Since states focus on absolute gains and are concerned with welfare maximization, a state will engage in interstate cooperation to reap as much benefits as possible without worrying about the division of gains or how much its partner will receive.

Applying this to possible natural resources located in the disputed territory; when they are divisible in nature, states will favour cooperation and thus mitigate conflict.

Since states are solely focused on absolute gains, a state is willing to stall or resolve a bilateral territorial conflict and engage in joint development projects when the disputed territory is known to harbour divisible natural resources.

Such agreements will only be made when parties are no longer hostile towards one another, since hostilities provide an insecure investment environment for the economic development of the area. This also translates into a state's type of foreign policy, which is non-violent and favouring diplomatic and economic means.

Next to absolute gains, Liberalism focuses on two domestic explanatory factors for interstate peaceful relations: domestic democratic institutions and economic interdependence. Firstly, Liberalism predicts that **domestic democratic institutions**⁵ can influence a state's foreign policy behaviour through horizontal and vertical control mechanisms. As a result, Liberal states are less aggressive in general and show peaceful behaviour towards other liberal states

When a state has domestic democratic institutions, these institutions can pacify the state's foreign policy behaviour (towards other Liberal states) due to the existence of competitive elections (vertical control) and the power-dividing nature of democratic institutions (horizontal control).

However, the democratic peace does not account for Liberal states' behaviour towards illiberal ones.

When a state has democratic domestic institutions, it might be triggered to engage in conflict with an illiberal state, since it perceives the latter as unpredictable and unreliable.

The second Liberal argument is that **economic interdependence** (through interstate trade) between states can lead to more peaceful interstate relations, because the cost of conflict rises: it will be unprofitable to break the trade ties due to consequent loss of absolute gains.

When states are economically interdependent, a state will be less likely to engage in forceful actions towards the other state; and will try to establish/maintain peaceful cooperation or conflict resolution.

These propositions based upon the Liberal school of thought describe how states would act in territorial disputes in a Liberal world and can be used to make sense of real-world events. In the later empirical analysis, these propositions will be tested within the Sino-Philippine territorial dispute in the South China Sea.

⁵ While the democratic institutions argument is not completely sound when looking at the central case (China is not a Liberal state; the Philippines does have democratic institutions), it still allows one to look at the domestic structure of the states and thus allows us to shed light on a new empirical area.

4. The South China Sea Dispute

As stated before, the South China Sea dispute is a highly complex conflict due to the amount of claimants and indirectly involved actors, such as the United States and ASEAN; the indistinctness and overlapping nature of the sovereignty claims made; the decades-long duration of the conflict and the increasing economic and strategic value of the region (Raine and Le Mière, 2013:14,29; Tilly, 2008:34-37). To provide the reader with a broader contextual view and understanding of the Sino-Philippine dispute in the South China Sea, this chapter will elaborate on the distinction between the features, the various claims made and the general history of the maritime region up to the 1990s. From that point of time on, the South China Sea dispute will be elaborately discussed in the empirical analysis.

4.1 The South China Sea and its History

The South China Sea⁶ region can generally be divided into four different feature groupings: The Pratas Islands, the Paracel Islands, the Spratly Islands and Macclesfield Bank/Scarborough Shoal. The dispute between China and the Philippines focuses on features in the Spratly Islands and on the Scarborough Shoal (see figure 1). The Spratly Islands, which are located in the south-eastern part of the South China Sea, are the most divided group of features. All six claimants compete for their territorial control. China, Taiwan and Vietnam even claim the entire island group.



Figure 1. The South China Sea claims⁷

⁶ It should be noted that even the region's and features' names differ dependent on which claimant one focuses on. China for instance uses the name 'South Sea', whereas the Philippines address the region as the 'West Philippine Sea' (Raine and Le Mière, 2013:13,29). In this thesis, only the internationally recognized name for the region, the South China Sea, and its features will be used for clarity reasons.

⁷ Source: Mirski, 2015

Currently, 5 out of 6 claimants occupy at least one feature in the island group: Brunei is the only claimant to occupy none. Secondly, Scarborough Shoal consists of unoccupied features and is located northeast of the Spratlys. Scarborough Shoal is claimed by China, the Philippines and Taiwan (Granados, 2009: 268,269; Raine and Le Mière, 2013:13,30).

The claims of the various disputants often find their foundation in a “confusing, inconsistent, yet ruthlessly pragmatic mixture of international law and historic rights” (Raine and Le Mière, 2013:14,29). This makes the puzzle regarding the sovereignty over the hundreds of small features a hard one to grasp. Over time, there have been varying extents to which countries were interested in the features. Accordingly, the strength of their claims to (parts of) the South China Sea region has varied as well. Moreover, the way nations have conducted their behaviour towards the features can be interlinked with the broader geopolitical environment the conflict is embedded in. Below, a general historic overview up to the 1990s will try to show these varying trends that have affected the nature of the South China Sea dispute over time.

For the most time in history, the features in the South China Sea were no source of contention. The region was mostly important as a maritime trade route and the small islands, reefs and atolls were considered to be *res nullius* (“a territory belonging to no one, but acquirable by appropriation”) (Till, 2008:26,27,33). When European seafaring nations, such as France and Britain, entered the region from the 16th century on, they perceived the features to possess little economic possibilities and thus expressed no serious claims. This changed somewhat during the start of the 20th century, when the Chinese weakly claimed some of the features and the French enforced claims by taking formal possession of the Spratly Islands. France mostly did so out of strategic considerations, namely to prevent a rising Japan from becoming too powerful in the region (Tilly, 2008:28; Raine and Le Mière, 2013:29). However, due to a worsening economic situation and a waging war on the European continent, Western powers became distracted. Consequently, Japan could easily establish a presence on amongst others the Spratly and the Paracel Islands during the 1940s. Both the French and the British were not in the position to confront Japan and regain influence in the region due to their homeland-situation. However, after Japan’s defeat in World War II, it had to officially renounce all sovereignty claims to the South China Sea features in the 1951 San Francisco Treaty. Consequently, parts of the maritime region became *res nullius* again.

Moreover, China and Vietnam (now independent from France) tried to carefully reassert their prior claims to the Spratly and the Paracel Islands (Tilly, 2008:28-31; Storey, 1999: 97; Granados, 2009:271,274).

When the colonial rule in the region ended, a new geostrategic period arose that affected the situation in the South China Sea: the Cold War. While the Korean War and the Vietnam War drew renewed attention to the region, claimant countries like China, Vietnam and Taiwan were distracted by direct security threats. Therefore, they were not in the position to further their symbolic claims made in previous decades. This period saw the first new actor entering the game in the early 1970s: The Philippine government occupied several of the Spratly Islands and claimed the Western part of the island group. This occupation in combination with fading struggles in already claiming countries led to more assertive stances towards the South China Sea: Taiwan (KMT) reclaimed part of the Spratly Islands. Moreover, China (PRC) and South Vietnam openly reasserted their claims on the Spratly and the Paracel Islands based upon historical activity and claims by previous (colonial) rulers. Malaysia and Brunei also started to express claims openly. Eventually, by the 1980s, there were a wide variety of parties who acquired features and claimed sovereignty over some parts or over all of the South China Sea (Raine and Le Mière, 2013:29; Tilly, 2008:31,32,34; Deutsche Welle, 2013). This timing was no coincidence: The 1973 oil-price peak combined with the increasing awareness of potential hydrocarbon fields in the South China Sea were new incentives for claimants to bolster their claims. With Chinese occupation lacking in the Spratly Island group, several countries, such as the Philippines and South Vietnam, occupied its islands and reefs. Moreover, the governments started to conduct seismic surveys, drilling tests and other exploratory ventures. Unsurprisingly, this increase in activities caused rising tension in the late 20th century. In 1974, the first violent confrontation between claimants became reality when China and South Vietnam battled for influence in the Paracel Island group. With U.S. support not forthcoming, South Vietnam chose to avoid further escalation. As a consequence, China was able to strengthen its position in the north-western part of the South China Sea. As a result, other claimants tried to fortify their claims by occupying new features or strengthening their presence on already occupied ones. China and Vietnam violently clashed again in 1988 over the Spratlys and tensions between claimants remained as all parties continued their occupation throughout the South China Sea (Raine and Le Mière, 2013:29,30,41-43; Fravel, 2008b:74).

4.2 The Claims of China & The Philippines

When zooming in on the claims made by China and the Philippines, one sees that the latter bases its claims regarding the Spratly Islands and the Scarborough Shoal on the fact that both fall within its Exclusive Economic Zone (EEZ), meaning that the Philippines has the sovereign right to exploit resources below the sea surface, while not being able to control which ships enters the waters. This is established through international law in the form of the United Nations Convention on the Law of the Sea (UNCLOS), which both China and the Philippines have ratified. Moreover, the Philippine claim, which dates back to after the Second World War, is based on the features being declared 'res nullius' in the San Francisco Treaty and on occupation of some of the features, which gave the Philippines sovereign rights through "discovery" or "prescriptive acquisition" (Valencia, van Dyke & Ludwig, 1999:20,33,34; Storey, 1999:97,98; Granados, 2009:270,277,278; Raine and Le Mière, 2013:31; Furtado, 1999:395). China's claims extend beyond the Spratly Islands and the Scarborough Shoal, since it claims *all* features in *all* four island-groupings and about 80 per cent of the maritime region. It indicates these claims with the so-called 9-dashed-line on its maps (see the red line in figure 1) (Cronin, 2010; Franckx & Benatar, 2011:212; Raine and Le Mière, 2013:33; Storey, 1999:96; Fravel, 2008a:267). It bases its claims on Chinese discovery, occupation and historical usage starting centuries ago. Moreover, it asserts that it was one of the first states to openly claim features in the South China Sea. Currently, China occupies seven islands in the Spratly Island group, while the Philippines occupies nine (Storey, 1999:96-98; Granados, 2009: 269).

While both states naturally have made their own territorial value assessments for their claims and actions, the South China Sea features and the waters surrounding them also have some generally valuable characteristics. The region can be perceived as highly strategic - both militarily and economically: Control over the region means an increase of state capacity to display power in the region when necessary, because states can control the waters which are vital sea lines of communication. It would also allow states to regulate the type and purpose of foreign ships entering surrounding waters. Moreover, states could establish military presence nearby one of the world's largest trade routes. By building military structures on the larger features, states could renovate naval forces and more easily control the maritime region. Lastly, economically, the South

China Sea most likely harbours several oil and gas reserves and inhabits great wild fish stocks. All are important resources in today's world (Permanent Court of Arbitration, 2014; Tilly, 2008:34; Raine and Le Mière, 2013:30; Tilly, 2008:34,35; Huth, 2009:50,51). Ownership of the small features in the South China Sea would mean guaranteed access to resources in a time where energy demands continuously rise and fish stocks decrease. Moreover, the South China Sea annually carries more than half of the global merchant-fleet tonnage and one-third of all maritime traffic (Blazevic, 2012:79,80; Raine & Le Mière, 2013:12,110).

5. Empirical Analysis: State Behaviour in the South China Sea Dispute

This chapter will analyse the foreign policy behaviour of China and the Philippines regarding the parts of the South China Sea in which they have conflicting claims, starting in the 1990s. Both Realist and Liberal predictions regarding state behaviour will be compared to empirical evidence to make sense of the events. Since both theories consider states to be rational actors, they assume that China and the Philippines weigh their actions according to a calculation of the perceived benefits and costs. However, the main differences lie in:

- What states' **priorities** in their foreign policy are (security and power maximization versus economic welfare through cooperation);
- What **type of foreign policy tools** states will most likely use in territorial disputes (military means versus non-violent means);
- What the **behavioural consequences** of disputing strategically valuable territory are (acquiring or maintaining territorial control versus joint exploration and conflict resolution).
- What the **drivers** of state behaviour are (the anarchic international structure, relative gains and power position and threat perceptions versus absolute gains, domestic political institutions and economic interdependence);

As one will see in the following of this chapter, there have been periods of increasing and decreasing bilateral tensions as a result of Chinese and Filipino behaviour in the South China Sea. The phases will be shortly introduced by a brief overall description after which the foreign policy acts of China and the Philippines are explained according to the Realist and Liberal propositions. The expectations that are derived from the two theories are written in italics. Their formulation diverges from that of the predictions in the Theoretical Framework to improve readability and to be able to put the expectations in the right context. Each phase will be concluded by remarks regarding the fit between theory and the claimants' behaviour. Consequently, conclusions can be drawn on which theory was able to explain what foreign policy behaviour of which claimant best.

5.1 PHASE ONE: Entering Troubled Seas

The 1990s marked a turn-around in the previously calm relations between China and the Philippines. While both countries had claimed the same features in the Spratlys during previous decades, this had never damaged bilateral relations or led to any physical confrontation. Prior to the 1990s, the focus in their bilateral relations was mainly on economic cooperation. During the late 1980s, both states' leaders even agreed to stall the dispute, avoid confrontation and engage in joint exploration projects eventually aiming at peaceful resolution. Their focus was on the economic opportunities in the region and the joint exploration plans signalled their belief that the potential spoils could be shared between them. Therefore, they seemed to have focused on absolute gains instead of on relative ones. This type of behaviour does not correspond with Realist predictions in which states would never compromise territorial sovereignty goals for the merits of economic cooperation or peaceful resolution – especially when the disputed territory is as strategically valuable as the Spratlys (Storey, 1999:97; Zha & Valencia, 2001:86,87).

However, the dynamics in Sino-Philippine relations altered during the 1990s. The main change occurred in 1995, when the Chinese occupation of the Spratlys' Mischief Reef (previously held by the Philippines) was discovered. Afterwards, a Code of Conduct was signed, China built more structures on Mischief Reef, there were various incidents regarding the Scarborough Shoal and the U.S. and the Philippines renewed a military

alliance that had ended early 1990s. The second half of the 1990s was characterized by a difficult bilateral relationship in which both countries employed varying measures to claim sovereignty without escalating the matter into military conflict (Cronin, 2010; Raine and Le Mière, 2013:44-46; Zha & Valencia, 2001:86; Storey, 1999:97,98).

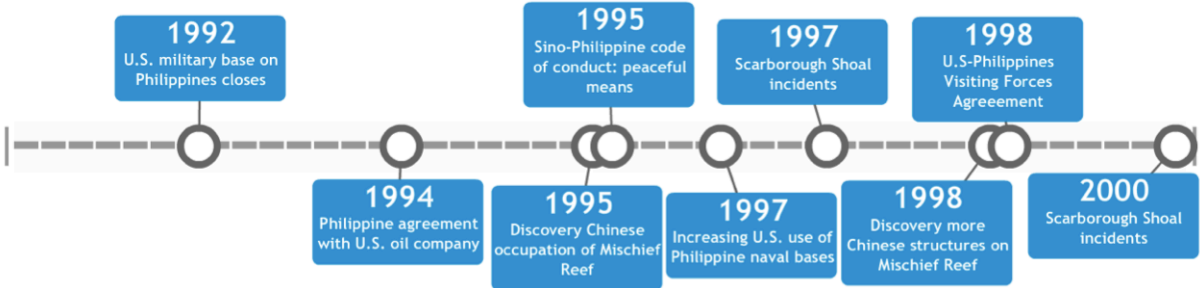


Figure 2. Timeline: State behaviour in the Sino-Philippine dispute during 1990s

5.1.1 China’s Foreign Policy Behaviour – Realist Predictions

This changing foreign policy behaviour during the 1990s will be elaborated upon further by firstly focusing on China. As Realism would predict, *in search of power maximization due to the uncertainty of the anarchic system, China actively tried to increase its, already strong, relative power position in comparison to the Philippines during the 1990s.* It did so by firstly increasing its own material capabilities by modernizing its military – especially its naval department. New large vessels, such as missile frigates and destroyers, were added to the fleet and the already existing military capabilities were upgraded. Simultaneously, China clearly displayed its naval strength and thereby the threat of force that would await potentially defying opponents. It increased its naval activities in the South China Sea so that other nations spotted patrolling naval ships sailing under the Chinese flag throughout the region (Buszynski, 2003:348; Storey, 1999:97,98; Zha & Valencia, 2001:86,87; Raine & Le Mière, 2013:44-46).

China pursued a second strategy to increase its relative power position. Being the main military and economic power in the conflict, China would be expected by Realism to *maintain or expand its territorial control in the South China Sea and to fortify its sovereignty claims.* China behaved accordingly from 1994 onwards when it started to build small structures on Mischief Reef, which was occupied by the Philippines and was positioned well within the Filipino EEZ. The Chinese were able to build the structures unnoticed due to lacking Filipino naval patrol. They thus made active use of the inadequate capabilities of the weaker opponent. However, in 1995, the Philippine government discovered the structures on Mischief Reef and spotted Chinese naval

vessels patrolling within its EEZ. This Chinese occupation was a breach of the 1980s agreements between the two countries to stall the conflict. However, it must be noted that in 1994 the Philippine government signed an agreement with a U.S. oil company to explore an area outside of the Filipino EEZ. *Realism would expect China to view this Filipino action as threatening to its territorial integrity and security. Therefore, China would take counteraction to increase its relative power and deter the Philippines. This Realist prediction is right* when viewing the gradual Chinese occupation of Mischief Reef as a counteraction to the Philippine oil-agreement. The occupation increased China's power and influence and directly challenged the Filipino claim (Buszynski, 2003:348; Storey, 1999:97,98;Zha & Valencia, 2001:86,87; Raine & Le Mière, 2013:44-46).

Interestingly, the Chinese occupation strategy was without the use of force despite China's overwhelming military supremacy. However, if we look closer, it was not in China's interest to use force: Firstly, it would have directed international attention to the conflict and would have evoked negative reactions by the international community, amongst which the United States. Such attention would possibly lead to more U.S. activity in the region, more pressure on China and would thus decrease China's room for manoeuvre in the maritime region. China had experienced such attention and condemnation during the 1980s when its forceful actions against Vietnam over several Spratly features resulted in the death of 74 Vietnamese. Moreover, it had seen international outrage after the events at the Tiananmen Square in 1989. Very likely, these events tempered the aggressiveness of the Chinese strategy in the South China Sea. *Secondly, using direct force would have increased the 'China threat' perception its smaller opponents had. Realism predicts China to want to avoid this and thus to show restraint. A greater China threat could instigate undesirable balancing behaviour of the smaller states against China. Instead, it took a less direct approach to establish presence on the features by building structures. However, its actions were always backed by the threat of using force (another important foreign policy tool according to Realism) due to its overwhelming military power (Storey, 1999:98; Buszynski, 2003:346,347; Xinhua, 2014).*

However, despite its indirect approach, there indeed was a growing concern of smaller states regarding China's potential aggressiveness due to its increasing power and violent

historical incidents. *Realism would predict to see balancing strategies by weaker states like the Philippines to increase their relative power position and thus decrease China's. For that reason, Realism would predict China to take measures to prevent this possible balancing behaviour by showing goodwill and cooperative behaviour.* And indeed, China tried, regionally speaking, to show goodwill by engaging more with ASEAN as a dialogue partner (it was no member of ASEAN, while most other claimants were). Another example is its decision not to devalue the Yuan when the Asian financial crisis hit at the end of the 1990s. This can be marked as a turning point in the regional ties and cooperation efforts, which improved and increased from then on. Overall, however, China took a bilateral approach towards weaker claimants: it could make more use of its power advantage and thus had more bargaining power. Therefore, it discussed the matter with ASEAN, but refrained from making any official agreements that would bind Chinese behaviour (Cronin, 2010; Raine and Le Mière, 2013:16,46).

Apart from engagement with ASEAN, China wanted to pacify the Philippines by stressing its openness to bilateral negotiations. After the Mischief Reef incident, diplomatic talks between the countries led to a Joint Statement in 1995 in which they agreed to resolve the dispute peacefully and to refrain from actions that would escalate the matter (such as building more structures). In the Realist perspective, such an agreement is only explicable as serving the interests of the strongest state. When analysing the text of the Joint Statement, two things stand out: Firstly, the peaceful settlement should be strived for "by the countries directly concerned" (Xinhua, 2014; Ministry of Foreign Affairs of the People's Republic of China, 2000; Ibid, 2014). This signals China's wish not to involve other nations (mainly the U.S.) in its bilateral disputes, which would decrease its relative power position and bargaining power (Buszynski, 2003:354; Fravel, 2011:300). Moreover, through the Joint Statement the two countries strive towards "a gradual and progressive process of cooperation" (Xinhua, 2014; Ministry of Foreign Affairs of the People's Republic of China, 2000; Ibid, 2014), which would eventually lead to a negotiated settlement. Where cooperation normally falls within the Liberal prediction of state behaviour, *in this case it fits the Realist expectation that China would engage with the Philippines to prevent the latter from cooperating further with the U.S., especially regarding military cooperation and increased U.S. access to South China Sea ports.* Lastly, regarding the establishment of bilateral agreements, Realism predicts that the stronger state will breach it when its interests change, since it would not have to fear

retaliation. Indeed, China did not comply with the agreement; in 1998 the Philippines discovered that China continued to fortify the Mischief Reef structures and that it even built new ones, eventually being able to position a maximum of 50 marines on the reef. Engagement with the Philippines was thus a short-term goal that soon had to make room for China's bigger objective to expand its territorial control (Fravel, 2011:300; Buszynski, 2003:343,344,346; Storey, 1999:98; Xinhua, 2014).

5.1.2 China's Foreign Policy Behaviour – Liberal Predictions

So far, we have seen that Realism has been able to explain most of China's behaviour in the Sino-Philippine conflict during the 1990s. In comparison, Liberalism often fails in those instances to shed light on China's actions: Liberalism views the (threat of the) use of force as only a last foreign policy option, while we have seen that China has actively used this. Also, Liberalism would not have predicted that China would occupy Mischief Reef, since it would have thought China to focus on conflict resolution to be able to engage in joint exploration efforts and ensure absolute gains. The same can be applied to the incidents regarding Scarborough Shoal in the late 1990s, which will be explained later. Lastly, Liberalism would not have expected China to breach the 1995 Joint Statement, since it would have no incentive to do so due to its interest in maintaining peaceful relations to let economic relations flourish.

Still, there are some areas in which Liberalism does provide an interesting explanatory addition to Chinese behaviour. *Liberalism predicts states' foreign policy to focus on economic cooperation and welfare to obtain absolute gains. Indeed, China's foreign policy started to include economic welfare objectives subordinated to security-related goals during the 1990s.* Since China was experiencing higher levels of economic development during the nineties, it became a net importer of oil in 1993. Having access to oil reserves thus became significant for its continuing economic progress. Therefore, China began to see that the only way to make use of the region's fishing and oil resources was to engage in joint exploration and development projects. It talked about initiating such projects with the Philippines in the late 1980s and early 1990s. However, inexplicable from the Liberal point of view, China often did not follow through when plans became more tangible and therefore never actually engaged in joint exploration projects during the 1990s. Perhaps, China's bilateral power approach blocked the way for any multilateral

development projects, which would have been almost unavoidable due to the overlapping claims by multiple states (Buszynski, 2003:350; Keyuan, 2006:105,106).

Moreover, *following Liberal predictions, China's foreign policy linked economic cooperation and pacifying relations with the Philippines, since it wanted to establish greater mutual trust.* Li Peng (the Chinese prime minister from 1987-1998) expressed in the early 1990s that it was important to shelve territorial conflicts in the South China Sea and engage in joint development projects instead. This trade-off between hostilities and cooperation is a typical Liberal argument. In a Liberal sense, the 1995 Joint Statement can be seen as a sign of willingness to resolve the conflict peacefully and to engage in cooperation for maximization of absolute gains. This link was even literally stated in the Joint Statement. Moreover, China increased its trade with the Philippines during the second half of the 90s, thereby creating stronger ties (Keyuan, 2006:102,103; Cronin, 2010; Raine and Le Mière, 2013:16,46; Ministry of Foreign Affairs of the People's Republic of China, 2000; Ibid, 2014).

Lastly, China did not use direct force during the 1990s. This was a diverging path from the violence it had used against Vietnam in the 1980s. Apart from the economic approach that was just described, China applied a diplomatic strategy to deal with its territorial dispute. It issued diplomatic statements every time another claimant expressed its sovereignty and maritime rights in the disputed region (Buszynski, 2003:360; Fravel, 2011:300,301; ASEAN, 1992). Fravel (2011:300,301) compared China's diplomatic activity concerning its territorial claims over time (1970-2010) and concluded that this was most intense in the 1990s with an all-time peak in 1995 (when the Mischief Reef incident occurred). China clearly used non-violent foreign policy tools next to its threat of using force to handle the territorial conflict, thereby partially matching Liberal predictions. On the other hand, this also fits into the Realist prediction to avoid other states from balancing against China. Therefore, this foreign policy behaviour cannot be exclusive assigned to either Realist or Liberal expectations.

5.1.3 The Philippines' Foreign Policy Behaviour – Realist Predictions

Now that China's actions in the South China Sea have been analysed, the Philippine behaviour during the 1990s will be elaborated upon. Due to the enormous power imbalance between China and the Philippines, Realism would predict the Philippines to

use both internal and external balancing behaviour to increase its relative power. However, the Philippines' actions with regard to its relative power position differed greatly in the first and the second half of the 1990s and should therefore be discussed separately. *Against Realist predictions, in the first half of the decade, the Philippines did not engage in either internal or external behaviour, quite on the contrary.* Firstly, it did not do much to enhance its already greatly lacking military capabilities, because it was financially strapped. The Philippine military spending (around 1 per cent of the GNP) was significantly lower than the Asian average during the 1990s. To illustrate the lacking Filipino capabilities, former Defence Minister Orlando Mercado (1992–1998) stated after his resignation that the Philippines had “a navy that can't go out to sea and an air force that cannot fly” (Steinberg, 2000:215). *If a state does not have the ability to increase its own capabilities, Realism would predict that it would focus on external balancing through alliances.* In this regard, the Philippines made a highly atypical move for Realism by ending military cooperation with its U.S. ally in 1992 and thus terminating its external balancing strategy. The Filipino Senate voted to close the largest overseas U.S. naval base (approximately the size of Singapore) that was located in the Philippine Subic Bay. Consequently, the Philippines lost part of its (indirect) defence capacities and U.S. military assistance of \$200 million annually. Thereby, it decreased its own relative power position even further. In Realist terms this action is inexplicable, especially since the Philippines was the weaker party involved in a territorial conflict. Perhaps Liberalism will be able to shed light on its behaviour (see 5.1.4) (Ryan, 2011:377; Steinberg, 2000:215; the Economist, 1997; Buszynski, 2003:346,352; International Monetary Fund, 1999; Meyer, 1996:6).

The above described was the power backdrop against which the Philippines decided to agree upon an exploration deal with a U.S. oil company after joint exploration talks between China and the Philippines failed in the early 90s. *In Realist terms such a move by the weaker state would be seen as risky, since it could evoke an escalatory reaction by the more powerful China and is thus not in line with the Realist prediction of showing restraint to avoid escalation.* Perhaps the Philippines did not necessarily view China as a big direct threat to its security and territorial control during that period of time – possibly due to the peaceful relations in the past, the lack of any bilateral confrontation in the South China Sea so far or the fact that the countries are separated by ocean. Realism does not

have a clear-cut explanation for this. In addition, this was the power backdrop against which the Philippine government discovered the structures on Mischief Reef in 1995. While territorial disputes are a zero-sum game and the Chinese occupation thus meant a de facto territorial loss for the Philippines, *the Realist prediction regarding the latter's behaviour was accurate: Due to its weaker power position in an insecure anarchic system, the Philippines did not take any counteractions when it discovered the occupation, because it did not want to escalate the matter in the face of defeat.* The Philippines did neither destroy the Chinese-built structures on Mischief Reef nor retaliate otherwise and thus clearly chose a behavioural path to avoid escalation. Realistically, there was hardly anything that the Philippines could do except for the *Realist prediction to use non-military means to show its discontent and to try to influence Chinese behaviour without putting too much pressure.* The Philippine strategy was indeed to diplomatically engage with China in bilateral talks that resulted in the 1995 Joint Statement. The second part of the Filipino strategy was trying to internationalize the conflict. It did so unsuccessfully via the United Nations and the ASEAN Regional Forum (ARF) where China was able to block the Philippine efforts. In ASEAN, the Philippines had more success, as it obtained wider support for the principles of the Joint Statement. While ASEAN was definitely not a security alliance, its diplomatic weight was used by the Philippines to convince China of exercising restraint. This behaviour *fits the Realist expectation to put mild (and indirect) pressure on China to influence its behaviour without risking escalation* (Raine and Le Mière, 2013:44-46; Baker, 2004:5; Steinberg, 2000:215).

During the second half of the 1990s, the Philippines' foreign policy behaviour altered. Its historically positive image of China changed as a result of the events in the South China Sea. Filipino politicians pointed to the implications of Chinese behaviour for the regional stability and the importance of paying close attention to its actions (Storey, 1999:112; Storey, 2006). Filipino President Ramos (1992-1998) for instance stated in 1995 that the Spratly Islands were "a litmus test of whether China, as a great power, intends to play by international rules or makes its own" (Storey, 1999:112). Moreover, China's continuing structure building was in conflict with its perceived openness to negotiations according to the Philippines, which the latter's Defence minister named the "talk and take" strategy (Storey, 2006). As such, the 'China threat' grew throughout the 1990s. Consequently, *Realism would predict the Philippines as the weaker state in the conflict to*

engage in balancing behaviour to increase its own relative power position. The second half of the 1990s clearly showed both internal and external balancing and thus a different (more Realist) Filipino strategy with regard to its relative power position. Internally, the Philippines enhanced its relative power position by increasing its defence spending, most of which was directed towards the navy. However, knowing that the Philippines would never be a match for China militarily, the government turned again to the United States as historical ally with similar security interests, namely preventing China from becoming too powerful. The Philippines thus clearly engaged in (renewed) external balancing. The U.S. agreed in 1997 that it would increase the use of Philippine-based naval facilities. One year later, the Philippines and the U.S. signed the Visiting Forces Agreement (VFA), thereby agreeing to intensify military relations and to modernize the Filipino military (and especially its navy). The link between the U.S. alliance and the 'China threat' is clearly stated by Filipino Senator Blas Ople's: "the one factor that restrains China's hawks is the realization that the Philippines is bound to the United States by a Mutual Defence Treaty" (Baker, 2004:4). In the years following, joint military exercises between the Philippines and the U.S. were executed, amongst which several near the Spratlys. Clearly, the Philippines changed its opinion regarding the cost-benefit analysis of the military alliance due to the increasing China threat, hoping it would deter China. It reconsidered its foreign policy and defensive capacities and made security a higher priority. It thereby seemed to become more aware of the security threats stemming from the anarchic international system (Storey, 1999:98; The Economist, 1997; Buszynski, 2003:352,353; Steinberg, 2000:216; Meyer, 1996:6; Baker, 2004:4).

In the second half of the 1990s, tensions between China and the Philippines rose despite the 1995 Joint Statement: more Chinese structures were discovered on Mischief Reef; increasing naval patrols by both countries were executed in the area; the Philippine navy detained several Chinese fishermen and charged them with violating Filipino and international laws; and a dispute about another contentious area arose: The Scarborough Shoal. From 1997 onwards, both countries tried to mark their ownership of the shoal by planting national flags and taking the other country's flags down. The Philippine navy removed Chinese non-military vessels and Philippine officials visited Scarborough Shoal causing Chinese exasperation. These non-military actions might seem harmless at first; however, in the light of the rising tensions they were clear signs

of attempts to establish territorial control over a strategic area. *The Realist paradigm links the extent of assertiveness of a state's behaviour in a territorial conflict to its relative power position, in which more relative power generally leads to more assertiveness.* Since the Philippines displayed more direct action instead of only diplomatically protesting, this can be interpreted as a sign of its increasing relative power and confidence. Its flag-planting and detaining of Chinese fishermen throughout its EEZ was backed by increasing Filipino naval patrols and the U.S.-alliance⁸. Moreover, Philippine navy vessels collided with Chinese fishing boats twice in the maritime region in 1999 causing the latter to sink. Apparently, it was now clear to the Philippines that its attempts to improve diplomatic ties with China had not changed the latter's territorial expansionist drifts (the Economist, 1997; Storey, 1999:98; Buszynski, 2003:346; Meyer, 1996:6).

5.1.4 The Philippines' Foreign Policy Behaviour – Liberal Predictions

In 5.1.3 it became clear that Realism was not able to explain why the Philippines ended its military cooperation with the U.S. in 1992 or why it agreed upon an exploration deal with the U.S. oil company in 1994. Liberalism can perhaps shed a different light on these actions. Regarding the 1992 decision, *Liberalism allows one to look at domestic democratic institutions that influence states' foreign policy through competitive elections and control mechanisms.* While not entirely following the Rationalist Liberal prediction that it was electoral punishment and majority-seeking that influenced such foreign policy, this sudden change did occur immediately after a change in the configuration of the institutions due to elections after which a majority was found to make such a decision. As a former U.S. colony and having experienced suppression by the U.S. army during a bloody war prior to the colonization, the U.S. presence had been a debate among the Philippine population and those in power for a long time. Despite the economic and military gains from this cooperation, a new leadership that came into power in 1992 was mainly focused on “righting long-ago wrongs”. It therefore chose to put an end to the U.S. military presence and disengage a former oppressor (Fisher, 1999; Steinberg, 2000:215; the Economist, 1997; Meyer, 1996:6).

⁸ It is important to note that the U.S. wished to maintain a neutral position in the territorial conflict between China and the Philippines, because else it would damage its relations with China. Therefore, some were sceptic as to whether the U.S. would indeed assist the Philippines after a Chinese attack to its sovereignty – it had for instance not stepped in during the Mischief Reef incident. The Philippine interpreted the Mutual Defence Treaty as to include the Spratlys, while the U.S. did not necessarily agree to this (The Economist, 1997; Buszynski, 2003:353; Steinberg, 2000:216; Meyer, 2006:7,8).

Secondly, Realism had no clear-cut explanation for the 1994 decision. However, in the empirical analysis it was stated that the Philippines perhaps did not perceive China as a big security threat at that time. *Liberalism, however, would have predicted the Philippines to look for another partner to explore the area with, since the negotiations with China had stranded the year before. After all, states focus on absolute gains according to the Liberal perspective.* Following that line of thought, the Philippines did not worry about relative gains or its relative power position (or China's for that matter) and therefore saw no harm in the agreement. It therefore would not have expected China to retaliate, according to Liberalism. On the other hand, taking into account the Sino-Philippine joint exploration deal in the late 1980s, it is quite unlikely to assume that the Philippines indeed expected China not to feel by-passed or threatened. However, this is all speculation, as there is no concrete evidence found regarding the exact Philippine reasoning. Since Realism predicts China's reaction (to feel threatened and take action through slowly occupying Mischief Reef) best, we will assume that its prediction on the Philippine behaviour (a miscalculation of the China threat) is also correct - with note of the uncertainty (Buszynski, 2003:348; Storey, 1999:97,98; Raine & Le Mière, 2013:44-46).

While Realism and Liberalism both predict the Philippines to use diplomacy as its main foreign policy tool, their explanations differ. Realism found the reason for Filipino diplomatic actions in its lacking military capacity and thus saw it as a last resort (if the Philippines would have had greater power capabilities, it could have used (the threat of) force). Contrarily, *Liberalism expects the Philippines to use non-violent means such as diplomacy to handle the dispute, because violence would harm trade relations or future trade opportunities and thus absolute gains.* The Philippine strategy indeed consisted of trying to achieve cooperative relations with China through direct diplomatic engagement (see 5.1.3). However, it is not very likely that another main reason to do so was to prevent harming their bilateral trade relations: Sino-Philippine trade levels were very low compared to those of other Southeast Asian nations in the early nineties. Instead, *the Philippines followed another Liberal expectation, namely to focus on increasing its economic interdependence with China and pacifying its stronger opponent to stall the conflict and establish peaceful relations.* It engaged with China to avoid escalation and enhance friendly relations, especially in the second half of the 1990s after

the Mischief Reef incident and the Joint Statement. Moreover, it hoped that economic ties and cooperation would foster better relations (The Economist, 1997; Cronin, 2010; Steinberg, 2000:215; Hong, 2013:5). For the Philippines, engagement with China in general was believed to lead to confidence-building measures, security talks, stimulation for China to engage in multilateral institutions and increasing economic interdependence. China would then hopefully become more susceptible to the sentiments of other states. After the bilateral talks and the Joint Statement, the Philippine government viewed its diplomatic moves to be successful. However, the incidents regarding the Scarborough Shoal and further structure-building on Mischief Reef proved it wrong. Reality thus contradicts the Liberal expectations that the increase in communication, cooperative intentions and actual trade levels between the countries since 1995 would pacify their behaviour towards one another in the dispute. Still, it provides a good explanation for the Philippines motives to engage with China (Storey, 1999:112,113; The Economist, 1997; Cronin, 2010; San Pablo - Baviera, 2009:174).

5.1.5 Concluding Remarks

In general, Realism provides the most accurate explanation for Chinese foreign policy behaviour due to its focus on security and power maximization as a result of the anarchic structure. China enhanced its own military capabilities and territorial expansion; constantly calculated its relative power position that worked through in its behaviour; and executed tactics to prevent the Philippines from engaging in balancing behaviour with the U.S.. Also it responded to what it perceived as threatening actions to its territorial control and sovereignty claims (and thus its security) by taking counteractions in the form of gradual occupation of Mischief Reef. China followed the Liberal expectations of economic cooperation and diplomatic engagement for pacifying relations. It also used those instruments to lower the 'China threat', thereby fitting into the Realist predictions. Liberalism does shed light on China's wish for joint exploration of the region to achieve absolute gains, while Realist lacks an explanation for this cooperative behaviour.

With regards to the Philippines, it is interesting to see that Liberalism best explains its behaviour in the first part of the 1990s, in which the Philippines were focused on exploring the area for resources and in which national influences ended the military alliance with the U.S. However, after the discovery of the occupation on Mischief Reef, the explanatory power of Realism increases. The Philippines prioritized security in its

foreign policy and tried to balance externally by re-establishing the alliance with the U.S.. Also, it balanced internally by increasing its own material capabilities (though modestly). At the same time, it kept trying to pacify China through dialogue and increasing cooperation, which is another Realist explanation. This same behaviour, however, is explained by Liberalism to increase trade relations and interconnection, thereby stalling the dispute.

Both theories explain a certain type of Philippine foreign policy behaviour (diplomacy and engagement) in a different way: Where Liberalism predicts this behaviour to pacify relations and focus on trade and consequently absolute gains (for all states, not necessarily only the weaker one), Realism predicts only the weaker state to engage in such behaviour to pacify the stronger state and to prevent it from making any more threatening moves. Diplomacy and engagement in Liberalism is the norm, while in Realism it is the last resort.

5.2 PHASE TWO: Reaching Tranquil Waters

Entering the new millennium, the relations between China and the Philippines were vastly different from ten years before. Increasing mistrust, ASEAN involvement by the Philippines, a strengthened U.S.-Philippine alliance, China's continuous military build-up and bilateral approach and increasing bilateral ties: This was the bilateral setting in which the countries entered the 2000s. Generally speaking, the period 2000-2008 witnessed a decreasing number of confrontations, while at the same time seeing lasting bilateral suspicion and increasing military capabilities. Moreover, there was increasing economic cooperation between China and the Philippines, joint exploration projects and increasing influence of multilateral approaches to the dispute (Raine & Le Mière, 2013:46).

Due to the fact that China and the Philippines engaged in more mutual behaviour (explained best by Liberalism) than in the previous timeframe, these overlapping analyses will be outlined at the end of the chapter.

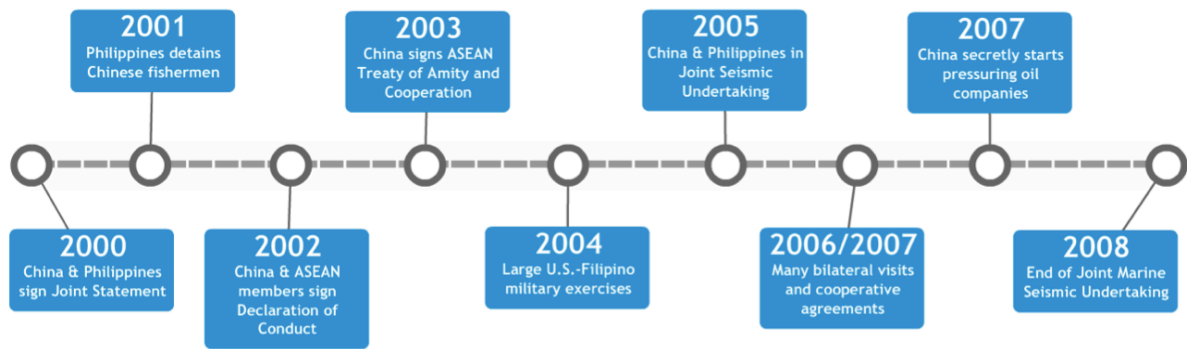


Figure 3. Timeline: State behaviour in the Sino-Philippine dispute during 2000s

5.2.1 China's Foreign Policy Behaviour – Realist Predictions

While several factors in Chinese foreign policy remained the same as during the 1990s, there were also some changes in the course of its actions. In the early 2000s, there were still occurrences of tension in the waters surrounding the Spratlys: The Philippine navy again halted several Chinese fishing boats, appropriated their catch and accompanied the boats out of the maritime Spratly region. While Realism would predict China to retaliate and try to show its control and power in the region, China did not do so. Moreover, it did not use force throughout the 2000s and did not occupy new contested features that were previously controlled by the Philippines to maximize its power. *Unlike Realist predictions, the territorial expansionist drift of the 1990s to further maximize China's power in the region as a result of the anarchic structure seemed to have halted.* Apparently, the costs of ensuring territorial gains outweighed the benefits during this period of time. The main security-related costs that China could face was potentially increasing U.S. involvement in its territorial disputes and more U.S. influence in the maritime region. The U.S.-Philippine military alliance was still upholding and expanding during the 2000s – much to China's discontent. In the early 2000s, for instance, the Philippines and the U.S. employed several joint military exercises that caused exasperation and increased nervousness with China. *Because China had no chance in ending this alliance, Realism would predict China to focus on lowering the 'China threat' that might cause smaller claimants to increase ties with the U.S..* It did so by showing good will and fostering trust and friendly relations through increasing its engagement with the Philippines (see 5.2.2) and with ASEAN. It was thus no coincidence that in 2002, China and ASEAN signed the non-binding Declaration of Conduct (DoC) that postulated peaceful intentions, resolution in accordance with UNCLOS and the prevention of conflict escalation. Parties also stated their intentions to focus on

establishing a legally binding Code of Conduct, however China never made efforts to do so. In 2003, China moreover signed the Treaty of Amity and Cooperation, an already existing ASEAN document in which signatories pledged not to engage in sovereignty threatening behaviour and to settle disputes through negotiations. While these agreements do signal a changing attitude in the region focused on cooperative dialogue instead of confrontation, this Chinese trip into multilateralism must be viewed according to Realism as a deliberate Chinese strategy to decrease the China threat and consequently potential U.S. influence. The same can be said for the 2005 Joint Maritime Seismic Undertaking (JMSU) in which the China, the Philippines and Vietnam agreed for their state oil companies to explore the region for resources together (see 5.2.5 for a detailed explanation). Moreover, it must be noted that in these multilateral talks, as well as its bilateral negotiations, China *never made concessions regarding its claims and avoided to include sovereignty in talks (as expected for the stronger state)*. Instead, it focused on provisions that concerned avoiding conflict escalation and confidence-building measures (Fravel, 2005:62; Fravel, 2012:34; Rodriguez, 2004:1; Raine & Le Mière, 2013:46,47,50; Buszynski, 2012:101; International Crisis Group, 2012b:32; ASEAN, 2014).

However, the more cooperative stance showed by China did not mean that it had forgotten the conflict. *As Realism would predict, China continued to increase its relative power position by upgrading military (naval) capabilities and increasing its naval presence to display military strength and the threat of force*. Especially the underdeveloped department of its navy that focused on the South China Sea was modernized during the 2000s, thereby showing China's attention shift to this maritime region. The southern fleet was fortified through new destroyers; a modern platform dock that could harbour a complete marine division; and an expanding submarine fleet. China has been "outbuilding" the U.S. in terms of new submarines by 4 to 1 from 2000 onwards and even by 8 to 1 since 2005. Moreover, the naval base at Hainan Island (the most southern located Chinese province) was expanded – all to enhance the projection of naval power in the South China Sea region. China also purposefully organized big military exercises coinciding with rising tensions between other claimants (Vietnam, the Philippines and Taiwan) as a reminder of Chinese sovereignty claims and strength. It moreover continued to gradually expand its presence through its navy and vessels of

maritime law enforcement agencies. The latter would increase China's presence and control without necessarily alarming other claimants. Clearly, despite the diplomatic coating of Chinese behaviour, its arms modernization and physical presence was still ongoing (Storey, 2012:58; Cronin & Kaplan, 2012:13; Fravel, 2011:308,310; Rodriguez, 2004:1).

Another significant development in the course of the 2000s regarded the increasing value of resources within or underneath the South China Sea: the oil and gas prices were rising and fish stocks in the maritime region were increasingly reducing. Control over potential oil fields when energy demands are rising would mean more income and less dependency on other nations' oil. Moreover, control over maritime regions inhabiting wild fishing stocks would mean more income due to the rising market prices and decreasing supply of fresh fish (Cronin, 2010; Raine and Le Miere, 2013; Fravel, 2011:303). *Realism would expect China to respond to this increasing strategic value of the features in the South China Sea by taking action to maximize its influence in the strategic region, so that it could take advantage of the resources (most ideally by having control over the territory) or prevent other states from doing so.* We already saw that China did not take any actions to enhance its territorial control. However, it did follow the Realist prediction by finding different strategies to prevent other states from taking the spoils. Firstly regarding fisheries, China used the threat of force to support its own fishermen and prevent other nationalities from engaging in fishing activities. It for instance confiscated foreign fishing vessels and hindered their activities. China was generally successful in these actions and did not have to fear from any gross retaliation due to its power position. It thus used its relative power combined with the threat of force to increase its ability to make use of the fresh fish stocks (Cronin, 2010; Raine and Le Miere, 2013; Fravel, 2011:303). Secondly, China actively prevented foreign oil and gas companies from engaging in exploration activities with other claimant states by threatening with "unspecified consequences in their business dealings with China" (Marciel, 2009). China thus used its economic prowess to influence these companies and thereby decreased the chances of other states to reap the benefits of exploration deals. Interestingly, China wanted this strategy to stay under the radar, so it was not an outright deterrent strategy for the other claimants to engage in exploration deals. This matches with China's efforts to engage in friendly relations with its smaller opponents to

lessen the 'China threat'. China's strategy had mixed results, as not all companies broke off the deal in the contested areas (Raine & Le Mière, 2013:47; Cronin, 2010; Marciel, 2009; Fravel, 2011:301,303).

5.2.2 China's Foreign Policy Behaviour – Liberal Predictions

As stated in 5.2.1, the signing of the 2002 DoC and 2003 Treaty between ASEAN and China were a sign of increasing friendly relations and dialogue. The agreements followed years of increasing China-ASEAN communication as a result of the Asian financial crisis and the generally more cooperative path that China had chosen with regards to its neighbours in the late 1990s. In the Liberal view, these agreements can be viewed as a break-through in regional efforts to reach stability and moreover marked an important behavioural change: It was the first multilateral effort aimed at finding a way to resolve the issues in which China was involved and thus marked a clear breach with the former Chinese strategy that was solely focused on bilateralism. China's interest in resolving (or more de-escalating) the dispute could *in Liberal terms be explained by looking at the cooperation possibilities that would come from it and thus the consequent absolute gains that China would receive*. The DoC with ASEAN was one of the agreements in which China participated in those years, as will later be discussed in 5.2.5. While the DoC was not a trade agreement, but one aimed at conflict resolution, Liberalism would predict China to be interested in de-escalation to be able to improve trade relations with the region. Indeed, trade relations flourished in the years after. However, China never followed through with agreeing upon an implementation route map and would only agree upon non-binding measures. Therefore, it is more likely that the Realist prediction is accurate that China 'used' agreements with the region (and through ASEAN) to polish its image and lower the China threat (Storey, 2012:56,57,61; ASEAN, 2014; Rodriguez, 2004:1; Raine & Le Mière, 2013:16,46,47; Marciel, 2009; Cronin, 2010; Buszynski, 2012:101; Chen & Caouchette, 2012:301).

5.2.3 The Philippines' Foreign Policy Behaviour – Realist Predictions

While China was continuously greatly increasing its own military capacities throughout the 2000s, the Philippines entered the millennium in a renewed security alliance with the U.S.. *Realism would predict the Philippines to maintain or expand this military alliance and to enhance its own military capacities to increase its relative power position. Moreover, it would predict the Philippines the use the alliance strategically to deter China.*

Indeed, the Philippines did so. In 2004 for instance, the Philippines witnessed a growing amount of Chinese research and military ships in the waters surrounding the Spratly Islands. In addition, in the year prior more Chinese markers were found on previously unoccupied reefs in the region. In the course of 2004, the Philippines held large military 'Balikatan exercises' with the U.S. in the South China Sea, which lasted several months and included several thousand U.S. troops. While designated as exercises within the 'War on Terror' and already planned agreed upon in the early 2000s, many other claimants, China included, viewed the exercises in the light of the South China Sea dispute. The public presentation of the strong alliance and magnitude of the exercise indeed sent a strong message to other states that the Philippines did not stand alone. The alliance remained necessary since its internal capabilities were still nowhere near the Chinese capacities. Furthermore, the Philippines received more U.S. financial military assistance on the grounds of the U.S. anti-terrorism campaign during the 2000s (Rodriguez, 2004:1; Ryan, 2011:376,377; Hong, 2012:66). Clearly, the DoC or the increasing Philippine-Chinese economic cooperation had not evaporated inter-state suspicion and the felt need for military enhancement.

So did the increasing Philippine military capacities change anything in its behaviour? Especially now that the strategic value of the disputed territory had increased as elaborated upon in 5.2.1, *Realism would predict the Philippines to increase its pressure on China since the benefits of doing so (more economic capacities) had increased tremendously due to rising oil price and decreasing fish stocks. Moreover, the Philippine estimates regarding its risks of defeat had slightly decreased due to American military involvement.* However, this did not happen. There are several reasons why, which are explicable within Realism: Firstly, China's military and economic growth was multiple times higher than that of the Philippines, thereby relatively decreasing its power position nonetheless. Moreover, the U.S. maintained a neutral stance with regard to the content of the South China Sea dispute and would not publically take sides in fear of alienating China. Lastly, despite the Mutual Defense Treaty, the American interpretation differed from the Philippine one, since the former believed that the Spratlys did not necessarily fall within the scope of the agreements: the Philippine territorial claims were not crystalized yet in 1951. While the Philippines believed that the Spratlys were included, it could thus not be completely sure of U.S. support in the case of an attack

(Meyer, 1996:8; Cronin, 2010; Fravel, 2011:303). Following the Realist cost/benefit calculation of the Philippines with regard to taking action or putting China under more pressure, it is clear through the above that the cost of possible defeat or escalation was much higher than the possible benefits of economic resources. Since security always trumps economy in Realism, this is a foregone conclusion.

Due to this remaining power imbalance, Realism would predict the Philippines to strive for resolution through compromise or through other means to try to avoid conflict escalation. As elaborated upon in 5.2.2, the Philippines tried to engage China both diplomatically and economically through several agreements focusing on peaceful resolution and cooperation (2000 Joint Statement, 2002 ASEAN DoC, 2003 Treat of Amity and Cooperation) and increased trade and economic projects, such as the JMSU in 2005 (see 5.2.5). The countries agreed to stall the dispute in 2004 and even engaged in small acts of defence cooperation regarding for instance rescue actions at sea and some training exercises (Hong, 2012:70; Fravel, 2011:303; Philippine Consulate-General Shanghai, 2014).

5.2.4 The Philippines' Foreign Policy Behaviour - Liberal Predictions

While the previous section showed that Realism predicted the Philippines to strive for conflict resolution due to its weak power position, Liberalism arrives at the same behaviour with a different explanation. For the second time, the two theories expect to see the same type of behaviour from the weaker state in a dyad. *Liberalism would explain the Philippine strive for conflict resolution by focusing on its desire to establish peaceful relations and, simultaneously, economic cooperation to lift on the success of China to eventually obtain absolute gains.* Conflict is costly and hampers economic relations. This explanation of economic interdependence sheds different light on the increasing trade levels, the bilateral agreements and an increasing exchange of high-level diplomatic visits (see 5.2.5 for more details). This Philippine behaviour can thus also (at least partially) be driven by its hunger for economic gains next to security-related goals. In the light of the lacking economic ties between the two countries compared to those between other smaller claimants and China, this could be plausible. The Philippines was clearly focused on enhancing economic cooperation with China and making good use of

China's economic spurt (Hong, 2012:70; Fravel, 2011:303; Philippine Consulate-General Shanghai, 2014).

5.2.5 Overlapping Foreign Policy Behaviour: Liberalism

In the early 2000s, China and the Philippines thus engaged in various agreements. In 2000, they signed the "Joint Statement Between China and the Philippines on the Framework of Bilateral Cooperation in the Twenty-First Century" in which they agreed to increase communications and cooperation in a wide array of fields and again reaffirmed the 1995 Joint Statement, their commitment to peaceful resolution and refraining from escalating measures. Also, they were both part of the 2002 and 2003 ASEAN agreements. *Liberalism would predict such agreements to lead to more interdependence and increasing trade levels between the countries and to fewer hostilities.* Indeed, in the years following there were no incidents between China and the Philippines in the South China Sea, although it must be noted that China did strengthen its presence on already occupied features and took control of several previously unoccupied new ones. Trade levels, moreover, rose rapidly in the early 2000s: Between 2003 and 2011, bilateral trade grew from U.S. \$9.4 billion to \$32.3 billion, which is an increase of 244%. Where China entered the top-10 trading partners of the Philippines in 2002, it already became the third largest in 2006. In the years following, China became the Philippines' largest export market; due to the higher export than import levels, the Philippines thus earned a large part of its cash inflow through China. The increasing trade levels were accompanied by several high-level diplomatic visits by the states' leaders to discuss economic matters and set economic goals. As a result, many bilateral agreements were established relating to for instance strategic partnership, financing of markets, agricultural cooperation and machinery (Philippine Consulate-General Shanghai, 2014; Ministry of Foreign Affairs of the People's Republic of China, 2000; Hong, 2012:58,69,72).

Seeing the above, one can generally say that bilateral relations clearly improved. This combined with the increasing value of the resources and their divisible nature, would make *Liberalism predict China and the Philippines to stall the dispute and to engage in joint economic development projects in the maritime region to receive absolute gains from the resources.* Indeed, in 2004 the countries' presidents decided to stall the territorial dispute and pursue joint seismic studies and exploration projects regarding the

maritime resources. While such plans were also made in the prior decade, this time something more tangible was set up in the form of the JMSU. This joint exploration agreement was established between oil companies from China, the Philippines and Vietnam in 2005 and would form the basis for further joint undertakings. The companies would jointly explore a maritime area of 142.000km² for potential natural resources such as oil and gas. The JMSU can indeed be viewed as a way of obtaining spoils from the resources as well as pacifying relations to prevent conflict escalation: If either one of the countries would engage in harmful behaviour, the chances were significant that the JMSU would be dissolved causing financial and relational damages. This matches the Liberal prediction that *bilateral trade bonds would be the main driver to enhance relations between China and the Philippines as well as for them to refrain from hostilities* (Cronin, 2010; Raine & Le Mière, 2013:16,47; Buszynski, 2012:101; Marciel, 2009; Fravel, 2011:303; Hong, 2012:70; Bautista and Schofield, 2012).

Interestingly, no agreements were made regarding profit sharing once the natural resources would be found. Also, it was not completely certain where the joint activities would be executed. Still, the joint nature of the mission could be seen as a sign of willingness to shelve disputes and cooperate for economic benefits. This agreement lasted until 2008 (and was not extended), after which both Vietnam and the Philippines went on searching for hydrocarbons unilaterally. In general, tensions increased at the end of the term, as in 2007 China secretly started to pressure involved foreign companies not to engage in activities in the South China Sea as explained in 5.2.1. Despite the seemingly cooperative stance of the countries involved, individualism appeared to prevail (Storey, 2012: 60; Cronin, 2010; Raine & Le Mière, 2013:16,47; Buszynski, 2012:101; Marciel, 2009; Fravel, 2011:303; Hong, 2012:70; Fravel, 2012:43; Bautista and Schofield, 2012).

5.2.6 Concluding Remarks

This phase saw an increasing explanatory power of Liberalism for both countries' foreign policy behaviour. Interestingly, there was much overlap in the Liberal predictions regarding both states' behaviour, leading to a joint analysis in 5.2.5. This signals that Liberalism has the same predictions (with a focus on cooperation and pacification) for all states, thereby not differentiating in their power or position. Liberalism has accurately predicted that increasing ties and cooperation between the

two countries would coincide with the absence of hostilities. The Liberal thesis that increasing economic interdependency will diminish state incentives to engage in hostilities is thereby correct. In this period, bilateral (trade) relations between China and the Philippines increased tremendously for the first time in history. The countries even engaged in joint exploration activities, though with unsuccessful results and lacking agreements regarding profit sharing, indicating a lack of trust and transparency between participants.

Realism, on the other hand, mostly focuses on the differences between states, thereby providing varying explanations for and predictions of the foreign policy behaviour of these two diverse countries. More specifically, Realism provides a sufficient explanation for Chinese foreign policy behaviour, as it tried to pacify the Philippines through economic cooperation and diplomatic engagement by even signing agreements in the early 2000s. This, not coincidentally, followed an increasing role of the U.S. during the late nineties, thereby signalling that China's actions were intended to prevent the Philippines from balancing further against China – with no avail. China's first preferred option of foreign policy behaviour (to expand its territorial reach like in the 1990s) was now less attractive due to this relatively large U.S. involvement in the region. Still, China kept building up its own capabilities and strengthened its presence in the maritime region to deter any other nation that would try to 'take what is China's'. However, the increasing economic value of the features and the consequent Chinese focus on joint exploration instead of increasing its own assertiveness did not entirely match Realist predictions. More fittingly, China tried to prevent other nations from reaping the benefits of the resources by secretly harassing foreign oil companies and seizing fishing vessels.

The Philippines maintained and strengthened its alliance with the U.S., engaged in several military exercises and increased its own military capabilities. Still, it was no party to China's increasing power and the U.S. remained an insecure partner with regards to protecting the Spratlys. Therefore, the Philippines did not become more assertive, despite the increasing strategic value of the region. Furthermore, the Philippines again tried to de-escalate the conflict and pacify China both via ASEAN and directly by increasing bilateral cooperation and diplomatic engagement in various fields.

Both countries made use of ASEAN to further their Realist agendas during the 2000s: Where the Philippines tried to increase pressure on China via ASEAN as a multilateral forum and to engage with China on a more equal basis, China used it to engage with other claimants and established various multilateral agreements to lower the China threat. Moreover, China continued to undermine the role of ASEAN, since it favours its bilateral approach to maximize its power position and bargaining power vis-à-vis smaller claimants.

While it is harder than before to make a strong case for one of the two theories in phase two, eventually it must be concluded that Realism provides a slightly better explanation for state behaviour, as China's actions (which can be explained by Liberalism in the light of cooperation and peace) seem to have a more Realist undertone in which it mostly tries to pacify its neighbours: Of all the agreements and joint exploration plans, none have materialized into something binding and functional. For the Philippines, Liberalism makes a stronger case for the enormous economic benefits it reaps from its increased relations with China. Also it must be noted, that the explanatory value of Liberalism has increased in a period of time where more cooperation and less hostilities occurred. In that sense, it does confirm the relevance of Liberalism in explaining cooperative state behaviour.

5.3 PHASE THREE: Returning to Tumultuous Tides

2009 can be marked as a turning point in the broader regional relations and the Sino-Philippine relations more specifically. Firstly, in May of that year, a deadline for states to submit the outer limits of their so-called continental shelves to the UN Commission on the Limits of the Continental Shelf (CLCS) passed. While this regards international law and does thereby not fall within the scope of either Realist or Liberal explanations of state behaviour, it was a significant turning point: A state can exclusively exercise sovereign rights over its continental shelf and natural resources, as determined by UNCLOS. An extended one is thus beneficial. The CLCS facilitates the implementation of UNCLOS and had to assess nations' submissions to extend their continental shelf further than the standard 200 nautical miles. The CLCS would however not take submissions into consideration that were subject to conflict. Consequently, many claimants objected

other nations' submissions, such as China and the Philippines who both objected the Vietnamese extension. This whole process instigated more tension between the various states party to the conflict (Fravel, 2012:36,37; Raine & Le Mière, 2013:48,49; United Nations, 1982). Secondly, a maritime incident between China and the U.S. occurred in which several Chinese naval and coastguard vessels harassed the U.S.N.S. Impeccable, a U.S. naval vessel, and ultimately collided with its sonar sensor causing U.S. exasperation and formal protest. Lastly, as stated before, it became public that China had been pressuring foreign oil and gas companies to not participate in joint exploration projects with other claimants (Marciel, 2009; Raine & Le Mière, 2013:48,49; Cronin, 2010; Council on Foreign Relations, 2013).

These events were the start of a tenses period in which both China and the Philippines showed more assertive behaviour, the U.S. launched its 'pivot to Asia', the Philippines filed a UN arbitration case regarding China's sovereignty in the maritime region, ASEAN failed to issue a Joint Communiqué for the first time due to disagreement over inclusion of territorial disputes and China and the Philippines ended up in the 3-months lasting Scarborough Shoal stand-off (International Crisis Group, 2012b:7-9; Daojiong & Valencia, 2001:86; Raine & Le Mière, 2013:113-117; Council on Foreign Relations, 2013). The confrontational events caused bilateral relations to sour and regional (security) ties to sharpen.

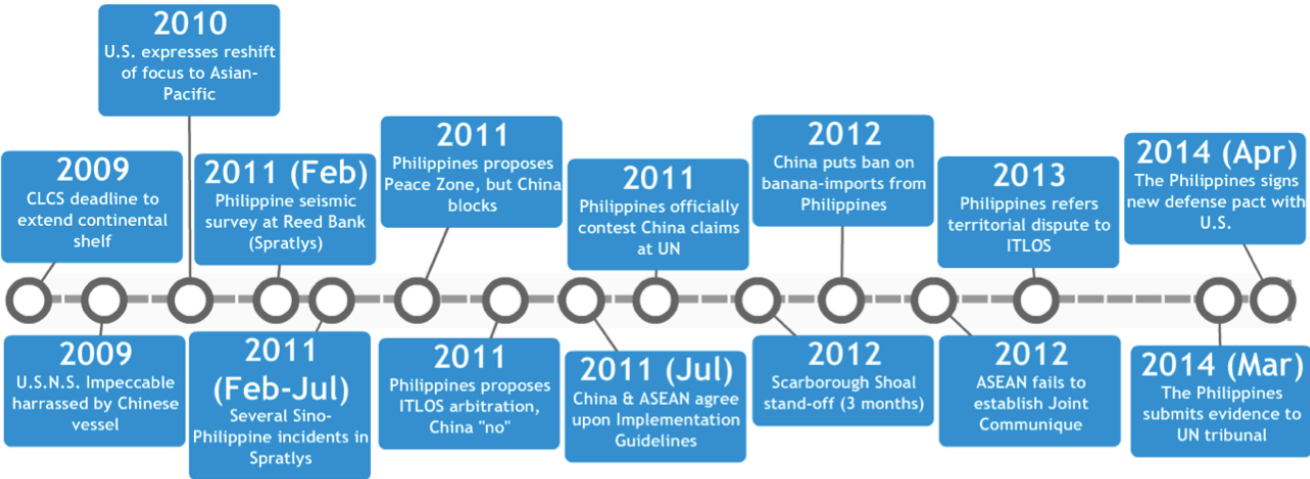


Figure 4. Timeline: State behaviour in the Sino-Philippine dispute from 2009 onwards

5.3.1 China's Foreign Policy Behaviour – Realist Predictions

As in previous decades and according to Realist predictions, the insecure anarchic structure still led China to strive for power maximization, thereby enhancing its relative power position through increasing its military capacities. Moreover, it continued to display its military strength through increasing naval presence and holding large-scale 'live ammunition exercises' in the South China Sea. In 2010, it for instance organized an exercise in which almost 2000 marines participated as well as over 100 armed helicopters, mine sweepers, landing craft, amphibious armoured vehicles and assault vehicles. It showed its new military capacities and thus the means that could potentially be used to defend its sovereignty claims. However at the same time, China witnessed several possibly problematic developments that threatened its relative power position in the region and its grip on the South China Sea futures. Firstly, the Obama administration publically re-shifted its focus towards the Asian-Pacific in 2010 by declaring freedom of navigation in the South China Sea a 'matter of national interest' at the 2010 ARF (in which, amongst others, both the U.S. and China participate) and stressing the importance of respect for international law and peaceful dispute settlement. Also, it launched its so-called 'pivot to Asia'. One year later, the U.S. facilitated talks between smaller Southeast Asian states, amongst which the Philippines, to draw up a common policy on upholding the territorial status quo in the maritime regime. This caused great Chinese exasperation. In China's perspective, the U.S. tried to re-establish and strengthen its role as the regional 'stabilizing' power and as (security) partner of Southeast Asian countries close to China. Moreover, it saw that whenever Chinese assertiveness increased, several smaller claimants strengthened their ties with the United States (Raine & Le Mière, 2013:17,21,25;113-117; Chen & Chaouchette, 2012: 302; Deutsche Welle, 2013; Daojiong & Valencia, 2001:86; International Crisis Group, 2012b:7-9; Fravel 2012:41, 47). Secondly, China became the largest energy consumer in the world in 2010 thereby surpassing the U.S.. In 2000, China only consumed half of the U.S. energy consumption, which reflects the enormous economic growth it experienced in the prior decades. Moreover, China became the second-largest consumer and net importer of oil that year as foreign oil made up 55 per cent of its total oil consumption. Therefore, its (energy) dependency grew. These developments increased the strategic value of the South China Sea region being a location for energy resources and large trade

routes even further (Swartz & Oster, 2010; Council of Foreign Relations, 2013; Storey, 2012:55; Raine & Le Mière, 2013:16-18,55).

Due to these developments, Realism once again predicts China to firstly try to diminish the influence of the U.S. by showing goodwill to smaller claimants and to weaken their 'China threat' perception. China did so by breaking its own bilateral strategy once more to engage with ASEAN. In July 2011, China and ASEAN were able to agree upon guidelines for implementing the 2002 DoC. This breakthrough happened shortly after the U.S. facilitated talks among smaller claimants and just before the 2011 ARF would take place. China and ASEAN had been discussing this for almost a decade, but were now finally able to agree. The agreement itself did not have much substance, but its main purpose was to lower tensions between claimants and to prevent conflict escalation given the various confrontations in 2011 (see next paragraph). Just like in 2002, the threat of internationalization of the dispute, an increasing role for the U.S. and more international attention to China's affairs in the South China Sea catalyzed the Chinese into multilateral diplomatic agreements with ASEAN. Thereby, China prevented the discussion from taking place in forums where the U.S. had influence (such as the ARF), thereby balancing against a threat posed by the United States (Fravel, 2012: 44,47; Cronin & Kaplan, 2012:16; Storey, 2012:57; Raine & Le Mière, 2013:50).

Secondly, Realism expects China to become more aggressive in its actions to 'protect' its territory and to show its control over the maritime region to signal to the Philippines that it is not willing to make any concessions and is not intending to back down. China indeed showed more aggressive behaviour in handling the South China Sea dispute. It did so towards both states and foreign companies. It actively hindered foreign commercial ships and expressed that it viewed the actions of foreign energy corporations as violating its sovereignty. It moreover pressured mainly the Philippines and Vietnam to halt their search for potential resources (Storey, 2012:55). An example occurred in February 2011: as a response to a Philippine seismic survey near Reed Bank (in the Spratlys), the Chinese navy pressured Philippine seismic survey boats to leave an area well within the 200 nautical EEZ of the Philippines by threatening to fire. Furthermore, in March that same year, two Chinese paramilitary boats threatened to ram a Philippine surveillance vessel. Beijing saw its various actions merely as responses to provocative

resource exploration acts by the Philippines. However, the Philippines and the U.S. viewed the events with growing apprehension (International Crisis Group, 2012b:7-9; Daojiong & Valencia, 2001:86; Raine & Le Mière, 2013:49,113-117; Fravel, 2012:43; Deutsche Welle, 2013; Swaine, 2013:11; Landingin & Hille, 2011).

While the precise Philippines reactions to the above will be described later, the bilateral tension did not lessen in any case: 2012 was marked by the 3-month lasting Scarborough Shoal stand-off between China and the Philippines – a low point in their bilateral relations. After a Philippine scouting plane spotted several Chinese fishing vessels at Scarborough Shoal, the Philippines sent its biggest warship to prevent the Chinese fishermen from illegal fishing and to search their vessels for endangered species. *According to Realism, China would interpret this as an aggressive act by a weaker opponent and would therefore take strong counteraction (by (the threat of) force). It does not let an act of defiance go by without sending a clear message of its power and its territorial control in the region.* Indeed, China sent several maritime surveillance ships to the region that positioned themselves between the fishing boats and the Philippine naval vessel, so that the fishermen could not be arrested. Since none of the ships left the area, there was a stalemate. When the Philippines tried to lower tension by replacing its warship with a coast guard and fisheries bureau vessel, China reinforced its presence by its Fishery Law Enforcement Command ship. Hereby, it seemed in Realist terms to send a clear message that China is the main force to be reckoned with in the region. Clearly, it did not try to prevent escalation. When the Philippine boats eventually left the area due to upcoming heavy weather, China placed a barrier after which Philippine ships could no longer enter the reef. The Philippines thus lost its control. China used its superior power position in this situation and did not show any signs of behavioural adaptation (Dutton, 2013:1,2; International Crisis Group, 2012b:7-9; Daojiong & Valencia, 2001:86; Raine & Le Mière, 2013:113-117; Deutsche Welle, 2013; Council of Foreign Relations, 2013; Thayer, 2012).

Lastly, Realism would predict the strongest state in a conflict to never compromise its interests and goals and thus never make concessions with regards to its claims or control in the region. We have seen in all three phases, that China has continued its control on the region and its features through various measures, but most importantly, that it never

changed the scope of its claims. China views other nations to compete for the territory that China has laid claim to starting centuries ago. This core Realist feature is thus also observable in this Chinese foreign policy line (Fravel, 2012:33).

5.3.2 China's Foreign Policy Behaviour – Liberal Predictions

This conflict-ridden period leaves overall less explanation power for the Liberal perspective. It is particularly interesting to note that *two core Liberal predictions have not matched reality: Firstly, Liberals expects economic relations to suffer from hostilities between countries.* Apart from a banana-import ban by China, as explained later, no such thing has happened. Both countries stated continuously that the dispute would not go at the expense of their increasing economic relations harming their trade. Trade levels indeed did not decrease much at the time of hostilities. Still, in a more abstract way this reality does support the Liberal thought that economic cooperation and welfare can be equally important as security-related goals in a state's foreign policy. *Secondly, Liberalism would have expected China and the Philippines to not have engaged in hostilities in the first place due to their increasing economic interdependency during the 2000s.* In official communication, Chinese leaders have often expressed that conflict should be stalled and economic cooperation should be pursued. As former President Hu Jintao stated in 2011 during a visit of the Philippine President: "Before the disputes are resolved, the countries concerned may put aside the disputes and actively explore forms of common development in the relevant sea areas" (Fravel, 2012:45). He thus indicated that no hostilities should take place anymore and that countries should focus on cooperation. However, events in 2011 and 2012 have clearly proved the Liberal prediction wrong.

However, the Liberal explanation power is relatively useful in explaining the foreign policy tools used in recent years, which it correctly predicts to be non-violent (diplomatic and economic means). Firstly, China continuously and publically expressed discontent regarding Philippine actions in 2011 and 2012 and stated that they breached the 2002 ASEAN DoC. It used media and diplomatic channels to convey this message. In addition, the Chinese Premier, Foreign Minister and Defense Minister flew to various Southeast Asian states during this period to underline that China's rise was peaceful and should only be viewed as economically valuable for the smaller states (Deutsche Welle, 2013; Storey, 2012:59). However, next to diplomatic means, China also used direct economic pressure for the first time in its dispute with the Philippines and thereby

followed the Realist approach to trade and interdependence: *The stronger state in an economic interdependency relation could use its economic weight to influence the behaviour of the weaker state.* Following the Scarborough Shoal stand-off, China indeed placed a banana import embargo that prevented the Philippines from exporting its bananas to China. As a result, the Philippines lost an estimated \$34 million in trade. This tactic combined with the behaviour described in the Realist analysis show a more assertive China that is willing to use different pressure means to impact events and influence the behaviour of its opponents. However, as opposed to what China had hoped for, the Philippines did not stop its search for conflict settlement (see later). Moreover, its actions were noticed by the U.S. where the Senate passed a resolution in 2011 to condemn the Chinese 'use of force' in its disputes in the South China Sea region (International Crisis Group, 2012b:7-9; Daojiong & Valencia, 2001:86; Raine & Le Mièrè, 2013:49,113-117; Council for Foreign Relations, 2013).

5.3.3 The Philippines' Foreign Policy Behaviour – Realist Predictions

As we have seen, in the years prior to the Scarborough Shoal stand-off, the U.S. became more involved and China became more assertive. According to the Realist perspective, the Philippines would view the increasing assertive Chinese behaviour as threatening its territorial integrity. At the same time, it would view the increasing U.S. focus on the Asian-Pacific as encouraging for its own power position in the dispute. This was not necessarily due to actual increasing power capabilities, but more due to increased confidence, because the U.S. had become more vocal about its interest in the South China Sea than ever before.

Realism would therefore firstly predict the Philippines to become more assertive in handling the dispute, despite its weaker power position and Chinese assertiveness. It would expect the claimant to use non-violent means to prevent escalation. Filipino actions indeed increased in intensity and moved beyond merely bilateral negotiations with China, which was the main strategy after the 1995 Mischief Reef incident. Its most assertive (military) action was when the Philippines sent its biggest warship with the intent to arrest Chinese fishermen near the Scarborough Shoal in 2012. This behaviour was not necessarily predicted by Realism, which would not expect such military display from a relatively weak state. This clearly indicates a more vocal Philippines strengthened by the U.S. pivot to Asia. However, the Philippines also engaged in non-violent behaviour to

show discontent with China's actions and express its sovereign control over the region. It for instance submitted a note verbale to the United Nations in 2011, in which it challenged the claims China had put forward in communication to the UN in 2009. The Philippines named the features "an integral part" of their territory (The Republic of the Philippines, 2011). It had not responded earlier to avoid increasing tension, but changed its attitude due to rising pressure in the South China Sea. Another example is sending five legislators to visit the largest of the Philippine-occupied Spratly Islands as an expression of territorial control and sovereignty. It furthermore renamed the maritime area into the West Philippine Sea and started to use this in all its official communications, which was publically echoed by former Secretary of State Hilary Clinton (Fravel, 2012:43; Council of Foreign Relations, 2013; Raine & Le Mière, 2013:16-18,55,113-117; International Crisis Group, 2012b:7-9; Daojiong & Valencia, 2001:86; Deutsche Welle, 2013; Swaine, 2013:11,12).

Secondly, Realism would predict the Philippines as the weaker state to still seek conflict resolution or stalling of the dispute. It would use non-violent means to put pressure on China in moving into this direction, while trying to prevent escalation. Indeed, the Philippines undertook several measures for conflict resolution: firstly, in mid-2011 amidst tens actions near Reed Bank (in the Spratlys), the Philippines presented the plan for a "Zone of Peace, Freedom, Friendship and Cooperation" (ZoPFFC) with the aim of stalling the South China Sea conflict and engaging in joint exploration (discussed further in 5.3.4). Later that year, it tried to get the ZoPFFC discussed at the East Asian Summit to increase pressure on China to cooperate - unsuccessfully due to China's efforts. It furthermore proposed to China to refer the territorial dispute in the South China Sea to the International Tribunal of the Law Of the Sea in 2011, but China rejected. However, at the beginning of 2013 and following the Scarborough Shoal stand-off, the Philippines did so anyway. This is a significant development, since it is the first time that a smaller claimant has filed a claim against China to increase its chances at dispute resolution. Despite China's warnings that this act could severely damage Sino-Philippine relations, the Philippines did not back down. As Foreign Minister Del Rosario stated: "It is about defending what is legitimately ours" (BBC, 2014). Although international law does not naturally fit within the Realist perspective, this Philippine strategy is best explained by Realism, which views it as a means to get results the Philippines would never obtain

through bilateral negotiations. It is an act to increase pressure on China without directly engaging it in a confrontational way (Raine and Le Mière, 2013:16,17; ICG, 2012 a:i,1,4; ICG, 2012 b:I; Deutsche Welle, 2013; Storey, 2012:57,58).

Thirdly, in 2014, the Philippines ensured the continuation of its external balancing strategy with the U.S. by signing a ten-year military agreement. *Thereby, it followed Realist predictions that it would try to increase its power position due to the recent hostilities with China through external balancing.* The 'Enhanced Defence Cooperation Agreement' would lead to increasing presence of rotating U.S. troops, shared training exercises, and more access for the U.S. to Filipino military infrastructure across the country. Moreover, it showed the U.S. commitment to Philippine security. As Obama stated: "Our commitment to defend the Philippines is ironclad and the United States will keep that commitment because allies never stand alone" (Felsenthal & Spetalnick, 2014:;). The Philippines even extended its balancing behaviour to another claimant state, namely Vietnam. They engaged in Joint Patrols in late 2011 to survey a disputed part of the Spratly Island. Lastly, *the Philippines also followed Realist expectations to balance internally*, by strengthening its border controls at the western maritime border, which is closest to China (Council of Foreign Relations, 2013; Rauhala, 2014; Fravel, 2012:43; Raine & Le Mière, 2013:16-18,55,113-117; Deutsche Welle, 2013).

5.3.4 The Philippines' Foreign Policy Behaviour – Liberal Predictions

Liberalism complements Realism in that it allows one to take into account domestic factors in the analysis of state behaviour. *It expects the domestic polity structure to affect a state's foreign policy through horizontal and vertical control mechanisms. Also, it expects a Liberal state to be triggered into conflict with an illiberal state due to the perception that the latter is unreliable and unpredictable.* While we are looking at a liberal state becoming more assertive towards an illiberal state, there are no empirical clues that this is due to the Chinese illiberal nature: China has been like that through the whole period under analysis, so it would be hard to see why this suddenly makes a difference for Philippine foreign policy. Moreover, and as stated in 5.1.4, social reality does not entirely match the Rationalist prediction regarding the effects of the democratic institutions on the liberal state's foreign policy: In the Philippines, one can witness a change in policy after a change in the configuration of the institutions. Tensions between China and the Philippines rose from the moment that a new president took office in 2010: Benigno

Aquino III. The former government was more focused on expanding and strengthening the economic ties between China and the Philippines and “was apparently willing to compromise Philippine claims in response” (International Crisis Group, 2012b:6). However, the Aquino III government has taken a more critical stance towards China. Consequently, Beijing has increased its presence on the disputed features. The Philippines has handled the dispute more assertively, using stronger language than it had done up to date and employing different diplomatic and military measures to strengthen its position. This became clear during the most recent Sino-Philippine standoff at the Scarborough Shoal in 2012 (Daojiong & Valencia, 2001:86; Raine & Le Mière, 2013:113-117; International Crisis Group, 2012b:7-9). While the matching between theoretical predictions and empirical reality is far from perfect in this regard, it does signal that for explaining the Philippines’ foreign policy behaviour, attention should be given to domestic forces like the agency-approach within Liberalism does.

With regard to interdependence and cooperation, we will look at ASEAN as a cooperation platform: *Liberalism predicts that cooperation through ASEAN will lead to more peaceful relations between participating states and decrease the risk of conflict.* Reality does not fully match this expectation, as there were some multilateral successes as well as failures: Regarding the former, ASEAN was finally able to agree with China on Implementation Guidelines for the 2002 DoC in 2011. This indeed generated some room for diplomatic interaction that was used to lower tension between the various claimants. Moreover, the Philippines proposed the ZoPPFC and tried to internalize it within the ASEAN framework. The ZoPPFC consisted of two plans: the first one was to differentiate the Spratly region into disputed and not-disputed areas (like continental shelves, or coastal waters). The second part was that claimants would withdraw their military capabilities from occupied features and create a joint cooperation area in which maritime resources could be managed. ASEAN states took up this plan in 2011 and concluded that the proposal was feasible and compatible with international law. However, China actively protested against the initiative, which made it useless to proceed (Fravel, 2012:33; Storey, 2012:60). The biggest multilateral set-back in the whole South China Sea disputed occurred in 2012 after the Scarborough Shoal stand-off: For the first time since its establishment 45 years before, ASEAN was not able to issue a Joint Communiqué after its yearly meeting in Cambodia, who was the rotating chair that

year (and is one of China's closest allies within ASEAN). Where the Philippines insisted that the Communiqué would reflect the states' discussions and thus should include the South China Sea dispute, Cambodia did not agree: this was a 'bilateral issue'. Supposedly, Cambodia had given the draft Communiqué (in which the dispute was mentioned) to Chinese officials, who started to pressure the country to exclude the references – and with success. This resulted in an ASEAN deadlock. Apparently, China was able to manipulate the outcome of a multilateral cooperative process of which it was no party by using its relations and pressure tools to influence the chair (Council of Foreign Relations, 2013; Bower, 2012).

5.3.5 Concluding Remarks

Conflict flared in recent years after almost a decade of peace and cooperation. This was instigated by the CLCS in 2009 and increasing U.S. involvement leading to more assertive Chinese behaviour as well as more assertive Philippine behaviour. Realism is once again the primary theoretical lens with which the countries' actions can be explained, especially now that tension rose.

Realism expected China to become more assertive as a result of U.S. involvement to safeguard its claims and control in the region. It did so by responding harshly to the Philippine seismic survey in Reed Bank, the Spratlys, in 2011 and in the various incidents in the months following. At the same time, it 'suddenly' agreed with ASEAN on Implementation Guidelines for the 2002 DoC, thereby pacifying the smaller claimants and avoiding criticism that it always blocked multilateral efforts. It thus repeated the strategy of the early 2000s when it signed the DoC and the Treaty of Amity. However, unlike previous times, the Philippines actively sought to engage in conflict resolution and tried to find ways to put pressure on China without escalating the conflict. It for instance tried to engage in ITLOS arbitration and wanted to establish the ZoFFPC, however, China blocked these efforts. Also, it engaged in external balancing through a renewed military agreement with the U.S. and by jointly patrolling the Spratly Islands with Vietnam. At the same time, it responded more assertively to Chinese naval presence and fishing activities in its waters, strengthened by the U.S. presence and involvement in the region. This eventually led to the Scarborough Shoal stand-off in which both nations showed the threat of force. As Realism would predict, China 'won' this stand-off and consequently blocked access for Philippine vessels to the reef. Where

Realist explanatory power is also strong in looking at the failure of ASEAN to issue a Joint Communiqué due to Chinese influence and by approaching the economic interdependence argument in a way that China could pressure the Philippines and foreign oil companies due to its economic prowess.

Liberalism on the other hand sheds light on the added value of including domestic institutions as influencing the Philippines foreign policy. Although not entirely fitting the Rationalist Liberal prediction, the change in configuration of the institutions instigated a more assertive stance in the dispute against China. Most importantly, however, is that it has not been accurate in predicting that due to the increasing economic interdependence of the 2000s, China and the Philippines would not end up in hostilities again. Obviously, they did more than ever before.

6. Conclusions

This thesis has analysed the ebb and flow in Sino-Philippine relations and has looked at foreign policy behaviour in the South China Sea from 1990 onwards. Both states' varying behaviour caused the bilateral dispute to develop through waves of interstate tension and bilateral cooperation. Ultimately, the goal was to answer the research question:

Which factors have influenced Chinese and Philippine foreign policy behaviour in their bilateral South China Sea dispute during the post-Cold War period?

Several explanatory factors deducted from Realism (the anarchic structure, relative gains and threat perceptions) as well as from Liberalism (absolute gains, domestic institutions and economic interdependence) have guided the analysis and enabled us to make sense of Sino-Philippine behaviour.

Overall, Realism is the explanatory winner, as it provides the most relevant influencing factors for Sino-Philippine foreign policy behaviour in the South China Sea. Due to the central focus on states' relative power position, Realism has allowed us to look at the varying foreign policy behaviour of China and the Philippines. Firstly, the **insecure anarchic system** and states' consequent focus on security and thus power maximization influence the likelihood that both states pursue territorial control. China as the stronger state shows more offensive behaviour, while the Philippines mainly show restraint. With

regard to *China's* foreign policy, security-related goals have been centred throughout the whole period of analysis. China tried to increase its relative power position through military build-up; gradual expansion of territorial control; the threat of force to back non-violent actions; and asymmetrical economic pressure to influence the Philippines. Increasing interdependence during the 2000s made the Philippines susceptible to China's influence. However, the *Philippines'* foreign policy only followed this Realist explanation after the Mischief Reef incident, which shifted its focus to security-related goals first and foremost. This combined with the superior adversary the Philippines was facing, explains why it tried to avoid conflict escalation: It did not fight back after the Mischief Reef incident, but used mainly diplomatic channels to voice critique. Also, it was more open to concessions and conflict resolution through bilateral agreements and joint development projects.

Secondly, the Realist focus on **relative gains and power** in interstate relations would expect China and the Philippines to increase (material) power through internal or external balancing behaviour or through decreasing the power of its adversary. Again, their behaviour differed due to their relative power position. *China* as the strongest power was mainly concerned with enhancing its own power position through military build-up and territorial expansion. Also, its focus on relative gains and consequent unwillingness to make concessions shines through in its reluctance to actually implement joint exploration projects. Moreover, China actively tried to weaken the U.S.-Philippine alliance by economically and diplomatically engaging with the Philippines to soak off U.S. influence. Also, it tried to divide ASEAN as a power block through letting allies such as Cambodia block consensus and hindered the Philippines' attempts within ASEAN to gain traction for resolving its troubles in the South China Sea. The timing of such behaviour can be linked to the strength of the U.S.-Philippine alliance: When the alliance became stronger, China would engage in pacifying foreign policy behaviour (e.g. in 2002, 2003 and 2011 it sought regional agreements through ASEAN – right after an increase of U.S. interest in the region). The *Philippines*, on the other hand, were in the first half of the 1990s not concerned with relative gains and thus not tried to increase its own power or decrease that of China. It even ended its military alliance with the U.S.. However, the Philippines concern regarding relative gains, which occurred from the Mischief Reef incident onwards, led it to increase its relative power position by engaging

in internal and external balancing behaviour. It gradually tried to upgrade its military (especially its navy) and re-engaged in a military alliance with the U.S..

Lastly, **threat perceptions** are an important Realist factor that explain balancing behaviour by the threatened state or non-aggressive, pacifying policies by the threatening state. *China* has engaged both in internal balancing behaviour as a result of the U.S.-Philippines alliance and in lowering the 'China threat' by showing goodwill and no aggression (e.g. Asian Financial Crisis, ASEAN agreements, increasing bilateral relations with the Philippines, joint exploration projects) to prevent adversary balancing behaviour. However, from 2011 onwards, China showed assertiveness despite the strengthening U.S.-Philippine alliance. Apparently, its cost/benefit analysis changed, perhaps due to the increasing strategic value of the territory as a result of rising energy and fish demands. Furthermore, the *Philippines'* threat perception of China has proven influential for its foreign policy behaviour: It re-engaged in the alliance with the U.S., because China (while always having had greater aggregate capabilities) suddenly showed offensive intentions due to occupation of the Mischief Reef, while it had not done so before. This triggered Philippine balancing behaviour. Consequently, the stronger the U.S.-Philippine alliance was and the more the U.S. expressed interest in the region, the more assertive the Philippines dared to handle its dispute with China, as it felt assured in its position relative to China.

Somewhat outside the Realist proposition formulated, but still within Realist theorizing, is **China's bilateral approach** to the conflict as opposed to the **Philippines' multilateral or internationalizing approach**. In doing so, China maximized its bargaining power against smaller claimants, while the Filipino use of multilateral channels (ASEAN, UN) to pressure China can be explained to increase its influence vis-à-vis the stronger China.

Liberalism, on the other hand, has provided useful explanations by allowing us to look at domestic structures that influence foreign policy. Especially the link between a liberal economic polity (trade and interdependence) on the one hand and less hostilities on the other has proven valuable. Moreover, it provides a stronger explanation for Philippine foreign policy, especially in the early 1990s and when taking into account its domestic democratic institutions, than for China's behaviour. Firstly, the Liberal belief that states also focus on welfare maximization through obtaining **absolute gains** provides an

explanation for both states' increasing economic cooperation and trade (especially from the 2000s onwards) and attempts to engage in joint development projects. Due to the divisible nature of the resources, both states expressed interest in stalling the conflict. However, China never followed through with these projects due to security considerations (see before) and was never willing to make concession – something Liberals would have expected. Moreover, welfare-related goals were always secondary and were often used as a tool to pacify smaller states, which fits the Realist prediction regarding the China-threat. This Liberal explanation, on the other hand, was fitting to explain Philippine behaviour in the early 1990s when it focused on welfare gains through exploiting the region's resources without worrying about China's power or its own security position. However, this welfare focus changed as a result of the Mischief Reef incident.

Secondly, Liberalism allows us to look at **economic interdependence** as influencing foreign policy. This would predict both states to avoid engaging in hostilities after the second phase in which Sino-Philippine trade levels increased. Moreover, it would expect both states to look for conflict stalling or resolution. While *Chinese* state leaders have made statements according to this prediction, its behaviour has shown otherwise, such as during the Scarborough Shoal stand-off and with the economic pressure put on the Philippines. Still, the *Philippines* tried to engage in joint development projects and increasing trade with China, especially during the 2000s. Their increasing economic interdependence signals the Philippine focus on resulting gains, even when it feared its bigger opponent. Nonetheless, the Philippines also engaged in assertive behaviour in the past few years, thereby rejecting the Liberal expectation that it would avoid hostilities, since they are costly due to breaking ties. Moreover, generally speaking, the bilateral trading ties have not been broken as a result of the hostilities, thereby suggesting that states can pursue both welfare and security goals next to one another.

Lastly, the Liberal prediction that **domestic democratic institutions** would influence states' foreign policy has proven only partially useful. Because China lacks such institutions, they could not have been of influence for its behaviour. With regard to Philippine foreign policy, as a liberal state it would be expected to engage in conflict with China due to mistrust. While the illiberal nature of China has probably fuelled the Philippine mistrust, it was not the reason why the Philippines engaged in conflict, since this would have meant contentious relations before 1994. Moreover, the horizontal and

vertical control mechanisms are mostly interesting when looking at the big changes in Philippine foreign policy: when ending the U.S.-Filipino alliance in the early 90s and when the current government came into power that had a tougher and more critical stance towards China. These were the moments that through elections and the new configurations of governments, sudden majority was found for big changes. However, while this Liberal strand has allowed us to look at domestic structures, this 'change of configuration' explanation does not entirely fit the rationalist structural approach of the Democratic Peace Theory chosen here and should thus be discarded.

The structural approach to studying Foreign Policy taken here has had limitations for the explanatory factors one can look at, especially when it comes to Liberalism. The Realist lens, which enabled us to focus on factors grounded in the international structure, has proven to be a useful analytical tool to look at Sino-Philippine behaviour due to its focus on security as a foreign policy goal, states' concern with relative gains, their position in the international system, internal and external balancing behaviour and threat perceptions. It also allowed us to look at variations in state behaviour between the two countries, due to its analytical inclusion of their relative power position. This steered their behaviour and instigated major changes that occurred in their bilateral dispute during the post-Cold War period: Examples are the showcase of Chinese power regarding the Mischief reef, the consequent heightened China threat and Philippine balancing behaviour; the more pacifying stance of China towards its smaller neighbours during the 2000s due to increased U.S. influence and interest in the region; the increasing assertiveness of both China and the Philippines from 2009 onwards due to increased U.S. attention, a stronger U.S.-Philippine alliance and the increased strategic value of the region.

The rationalist Liberal approaches chosen, allowed us to look at the influence of domestic structures (regime type and economy type) on foreign policy. It did, however, not include state-society relations, which fall outside the Rationalist scope, but could have proven useful especially in explaining the major changes in Philippine foreign policy. Moreover, while thus providing a different analytical lens than Realism, it has proven harder to match both states' behaviour with Liberal predictions – especially China's. While Liberal factors such as economic interdependence influenced its behaviour, eventually its foreign policy would always be reverted back to Realist factors

like relative gains, security maximization and threat perceptions. Moreover, Liberalism generally predicted the same behaviour for China and the Philippines, with the exception of the influence of their (differing) political structure, while it is shown that their behaviour varied and was strongly influenced by their power position. Lastly, the Liberal thesis cannot explain why China and the Philippines fell back into contentious behaviour at the end of the 2000s despite increasing trade relations.

Thus, while we have seen that more factors have influenced both states' behaviour, the core events can be led back to the Realist thesis with its influencing factors grounded in the international structure. Apparently, foreign policy in contentious situations still follows Realist predictions. Therefore, Realism is the strongest underlying theory to explain state behaviour in the South China Sea.

It must be noted though, that Realism, by its nature, has been in a slight advantage in this analysis: This school of thought is, as discussed, the main IR perspective when looking at conflicts and thus purposefully constructed to look at state behaviour in such situations. Liberalism, on the other hand, is generally better fitted to look at peace and interdependence, which was overall less apparent due to the focus of this thesis on a situation in which two nations are at odds with one another. Thus, one can ask oneself: Has Liberalism been given a fair chance to explain state behaviour in a case where the main developments are shaped by tense actions? The conclusion of this analysis, in any case, thus reaffirms that Realism indeed is the best theory to analyse state behaviour in a conflict situation.

8. Further Research

As a result of this analysis, several recommendations with regards to possible future research can be made. Firstly, the empirical scope could be broadened. The dyad between China and Vietnam would be interesting, as Vietnam has also been assertive in handling its differences with China as a smaller claimant. Comparing its behaviour to that of the Philippines could lead to insights on foreign policy behaviour of weaker states in dyadic territorial disputes. Moreover, one could compare China's behaviour towards both claimants to see whether it has used the same strategy. If not, this could signal that the role of the U.S. as Philippine ally has significant influence on China's

behaviour. Furthermore, China's foreign policy behaviour in the South China Sea and in the East China Sea can be compared to see whether it shows consistent state behaviour. The way China handles its maritime disputes can reveal what kind of regional power it intends to become, which has implications for the wider security environment in the Asian-Pacific. Another way to proceed in further research is to broaden the epistemological foundation and include interpretative theories, such as Social Constructivism. More aspects of and explanations for state behaviour, namely ideational factors, could then be included. Moreover, one could take an individualist approach, so that one can look at state-society relations, including the effects of societal groups, lobbyists, corporations and more on the foreign policy of states. In that case, the Liberal approach in which political changes are significant for explaining foreign policy could be taken into account for instance.

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