The Political Implications of the South China Sea Ruling on Sino-Philippine Relations and Regional Stability

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I Introduction

On 12 July 2016, the Arbitral Tribunal at the Permanent Court of Arbitration (PCA) in The Hague released its ruling on the South China Sea (SCS) arbitration case brought by the Philippines against China, indicating that the latter’s expansive maritime claims in this area have no “legal basis.” This decision triggered complex responses from a variety of countries. China immediately issued its rejection of the ruling, calling it “null and void.” The United States (U.S.), a major ally of the Philippines, called on both parties to abide by the ruling, arguing that the panel’s decision is “legal and binding.” However, while it was successful in this legal battle, the Philippines issued a complicated response. Immediately following the PCA’s press release, Philippine Secretary of Foreign Affairs Perfecto Yasay Jr. responded by expressing Manila’s welcome of the ruling. He also noted the Philippines’ strong “respect for this milestone decision as an important contribution to ongoing efforts in addressing disputes in the South China Sea.” Unlike the U.S., Yasay did not urge China to comply with the ruling. Rather, he called on “all those concerned to exercise restraint and sobriety.” The Philippine Presidential Communications Office then announced the government’s plan to study the decision and release “a complete and thorough interpretation” of it in five days, while Presidential Spokesperson

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Ernesto Abella reiterated Manila’s promise to “exercise restraint and sobriety.”\textsuperscript{5} The government’s prudent response was in stark contrast to the Filipino public’s excitement over the arbitration result, but consistent with the newly inaugurated President Rodrigo Duterte’s desire to seek improvements in his country’s relations with China. In fact, just days before the decision, Duterte had stated that he did not want to “taunt” Beijing or “flaunt” the SCS ruling.\textsuperscript{6} However, the Philippines’ arbitration victory has resulted in an increasing uncertainty over the future of Sino-Philippine relations and regional stability. On the one hand, the ruling infuriated the Chinese government and instigated nationalist sentiment in both countries, making foreign policy concession on the SCS issues more difficult and costly. On the other hand, the ruling might further increase SCS stakeholders’ desire to participate actively in maritime competition. These factors make the situation in the SCS more complicated and difficult to predict. To explore the impact of the arbitration, this paper offers a preliminary analysis of its political implications on Philippine foreign policy orientation and on regional stability in the SCS area.

11 The Background of the South China Sea Arbitration

The reason prompting the Philippines to file the SCS arbitration was the ongoing dispute over the Spratly/Nansha Islands. There are indications of potentially rich reserves of natural resources such as oil and natural gas in the SCS. As such, territorial disputes—especially those between China and Vietnam and China and the Philippines—have become increasingly contentious over the past decade. Being a country highly dependent on energy imports, the Philippines has been eager to secure the sources and reduce the costs of its energy supply by controlling more oil and gas resources in the SCS. This was especially apparent after the country’s economic losses due to the 2008 global financial crisis and since the rapid oil price surge in 2010. The conflict of interests between Manila’s desire for natural resources in the SCS and China’s maritime expansion, thus, further exacerbated their bilateral frictions. Besides economic and energy considerations, former President Benigno Aquino III (2010–2016)

\textsuperscript{5} Nestor Corrales, \textit{PH gov’t to release interpretation of UN ruling in 5 days}, \textsc{Inquirer.net} (Manila, 13 July 2016), available at http://globalnation.inquirer.net/141065/ph-govt-to-release-interpretation-of-un-ruling-in-5-days.