



# China-Philippines Oil and Gas Cooperation in the South China Sea: Conundrum and Thinking

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## Abstract

After the South China Sea arbitration case, China-Philippines relations have dropped to a freezing point. Since taking to power, Duterte has been committed to improving China-Philippines relations, achieving a comprehensive turnaround in China-Philippines relations and advancing practical cooperation between China and the Philippines. Affected by multiple factors. In 2022, the Philippine Foreign Minister announced that the china-Philippines oil and gas negotiations had been terminated. The same year, the Philippines welcomed its new president, Jose Marcos Colena. The government of Jose Markos has repeatedly sent signals to China to resume oil and gas cooperation, and the oil and gas talks between China and the Philippines are expected to resume. However, the joint development of oil and gas resources in the South China Sea between China and the Philippines still faces some difficulties to be solved. This paper mainly analyzes on the possible difficulties of joint development of oil and gas resources in the South China Sea between China and the Philippines, and then puts forward some thoughts.

## Keywords

China-Philippines, South China Sea, oil and gas resources, joint development

## 1. The historical process of China-Philippines development cooperation

On March 14, 2005, China, Vietnam and the Philippines signed the Trilateral Joint Marine Earthquake Work Agreement in the South China Sea Agreement Area (JMSU). Under the pressure of the domestic opposition, further joint development consultations between China and the Philippines were shelved after the agreement expired on June 30, 2008. In addition, at the beginning of 2009, the Philippines passed the new "territorial Sea Baseline Act", which designated China's Huangyan Island and some islands and reefs of the Nansha Islands into Philippine territory, and China-Philippines relations fell to a low point. According to the agreement, within three years, China National Offshore Oil Corporation, Philippine National Oil Corporation and Vietnam Oil and Gas Corporation will jointly collect two-dimensional and three-dimensional seismic data in the cooperation area (142,886 square kilometers) and handle the two-dimensional seismic lines in the region. This is a commercial cooperation agreement that does not involve territorial sovereignty and sovereign rights. Among them, China is responsible for data collection, the Vietnamese side conducts data processing, and the Philippine side is responsible for the analysis and processing of information. Although in terms of legal nature, this is only an economic contract with foreign factors and cannot be compared with the joint development agreement between countries, but it can be regarded as a beneficial attempt by China and other neighboring countries in the South China Sea in the field of joint development.

However, it was hampered by domestic political and legal factors in the Philippines. In 2012, when China and the Philippines planned to jointly develop oil and gas resources in Le Beach, then the Philippines refused to cooperate again as unconstitutional.

In 2016, Duterte came to power, different from his predecessor's foreign policy, but opened a new Philippine foreign policy, seeking an "independent" foreign policy, trying to get rid of US control of the Philippines, and striving to improve China-Philippines relations and realize China-Philippines relations. Thanks to the joint efforts of both sides, China and the Philippines signed 《the Intergovernmental Memorandum of Understanding on Oil and Gas Development Cooperation between the Government of the People's Republic of China and the Government of the Republic of the Philippines》 in November 2018. In August 2019, in accordance with the memorandum and the Scope of Responsibilities for the Establishment of the Intergovernmental Joint Steering Committee and the Inter-Enterprise Working Group, the two sides announced the establishment of the intergovernmental Joint Steering Committee for Oil and Gas Cooperation, establishing a stable consultation mechanism for making substantive progress in joint *development as soon as possible*. However, due to the COVID-19 outbreak, the hidden obstruction of the US to china-Philippines oil and gas cooperation, and the rise of pro-US " forces in the Philippines, the china-Philippines oil and gas cooperation in the South China Sea that has lasted for four years has been ineffective. In June 2022, then-Philippine Foreign Minister Jean-Pierre Lochin suddenly declared that the Duterte government had stopped negotiations with China's oil and gas cooperation in the South China Sea due to Philippine constitutional restrictions and maritime disputes. In August of the same year, Philippine current Foreign Minister Jose Manzano expressed his willingness to resume negotiations on oil and gas development cooperation with China, and send a positive signal to China to restart oil and gas development cooperation.

## 2. The dilemma of joint development of oil and gas resources in South China and the Philippines

### (1) Restrictions of the 1987 Constitution

The 1987 Constitution of the Philippines is the biggest "obstacle" to the oil and gas cooperation between China and the Philippines. Which has Blocking the development of the first three oil and gas cooperation between China and the Philippines. Article 12, paragraph 2, of the Philippine 1987 Constitution stipulates that all land resources, mineral resources, energy resources and natural resources are owned by the state and shall not be transferred (Xu CAI Mengxiao, 2020. This rule seems to be the Philippines government is not easy to cross the red line. The recognition of the joint development area as a disputed area .The government of the Philippines could face domestic charges it of "traitors" for the action. The government of the Philippines is afraid to take the risk of being internally accused of "selling territory ".

### (2) The transformation of the domestic cognitive structure in the Philippines- -based on the South China Sea arbitration case

In 2016, the arbitration tribunal in The Hague denied China's historic rights in parts of the South China Sea, support the sovereignty of the Philippines. making the Philippines more convinced that the Philippines and China are non-controversial areas ,the so-called dispute waters is the exclusive economic zone of the Philippines, it seems to be the Philippines domestic political correct and official discourse. The Philippines has become addicted to this perception, thus sharpening the differences in their positions on the nature of the joint development of oil and gas resources in the disputed waters. Philippine Senate President Juan, Ponce and Enrilai said, "We have only followed the relevant requirements of the United Nations Convention on the Sea Law, reasonably claim the rights of the Philippines, and have no intention of ignoring China's claims. This influences China-Philippines oil and gas cooperation in the South China Sea.

### (3) The influence of the major powers outside the region- -the change of the strategic focus of the United States

Geographically, the South China Sea has an important strategic position. It is a place of political competition between China and the United States and one of the destinations for the United States to adjust its foreign strategic priorities. As the strongest competitor of the United States in the Asia-Pacific region and even the world, China is also one of the objects of the United States to prevent and contain. China's growing influence in the Asia-Pacific region is growing and the situation in the South China Sea is becoming increasingly stable. Obviously, this is not in line with the US Asia-Pacific strategy. The nature of the US Asia-Pacific strategy is to provoke China and neighboring countries in the South China Sea to act as a "world police" and to "reconcile" the situation and steal benefits. Interference with the joint oil and gas development in the South China Sea between China and the Philippines.

### 3. Some thoughts on the joint development between China and the Philippines in the South China Sea

(1) A fair and reasonable profit distribution mechanism is the foundation

The positive motivation for the joint development of the parties lies in the acquisition of resources, and the ultimate destination is the distribution of interests. Before the joint development action is carried out, the proportion of benefit distribution should be clarified in the establishment content of the mechanism. The proportion of benefit distribution should be based on a fair, equal and reasonable basis, and the proportion should be determined by comprehensively considering factors such as the proportion of investment between both parties and technical and personnel input. The joint development of the South China Sea should not only maintain fairness, but also reflect appropriate flexibility to achieve win-win results between countries inside and outside the region, so that the South China Sea will truly become the Sea of "sea of peace", "sea of harmony" and "sea of friendship" (He Hairong, 2022).

(2) Maintaining china-Philippines friendly relations is the key

Maintaining good relations between China and the Philippines is the key to joint development. History and practice have proved that maintaining benign interaction between China and the Philippines is conducive to creating beneficial conditions and a positive atmosphere for joint development. In terms of bilateral relations, China and the Philippines should strengthen communication on the basis of the original consultation mechanism, properly guide the direction of domestic public opinion respectively, and increase the feasibility and resilience of the joint development between China and the Philippines. In addition, China should pay special attention to the new President of the Philippines and the opposition in the Philippines, favorable to the individual President and china-Philippines relations (jointly development), actively respond and cooperate within the bottom line principle, to promote and realize the unity of the different voices in the Philippines, and actively conduct civil public diplomacy and eliminate prejudice.

(3) Open introduction of multinational companies is a reference option

As a strategic resource, oil and gas resources some major powers outside the region will inevitably intervene and intervene in the joint development of oil and gas resources between China and the Philippines based on political considerations of their own strategic interests. China and the Philippines should reach a consensus to guard against emergencies, avoid danger in times of peace, make contingency plans, and resolutely eliminate possible external interference. In addition, about the joint development of oil and gas contract bidding can be open to open to other powerful foreign oil and gas companies, invite some European and American large multinational oil and gas companies to participate in the bidding, in this way, To reduce the interference of extra-domain factors (Qi Huaigao, 2019).

### 4. Epilogue

On September 22, 2022, Philippine President Jose Marcos expressed his willingness to continue to negotiate oil and gas development cooperation negotiations with China at the 77th Joint Conference, taking over the olive branch from China. At present, the situation of China-Philippines oil and gas cooperation in the South China Sea is still good. However, the situation in the South China Sea is complex, and the content involved in the joint development is also sensitive. It is vulnerable to the influence and interference of the international political situation. We should be psychologically prepared for cooperative failure.

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