

# Cooperative Development in the South China Sea

Policies, Obstacles, and Prospects

**Edited by Huaigao Qi and Song Xue**

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## **Introduction**

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*Huaigao Qi and Song Xue*

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# Introduction

## Cooperative development among the South China Sea coastal States

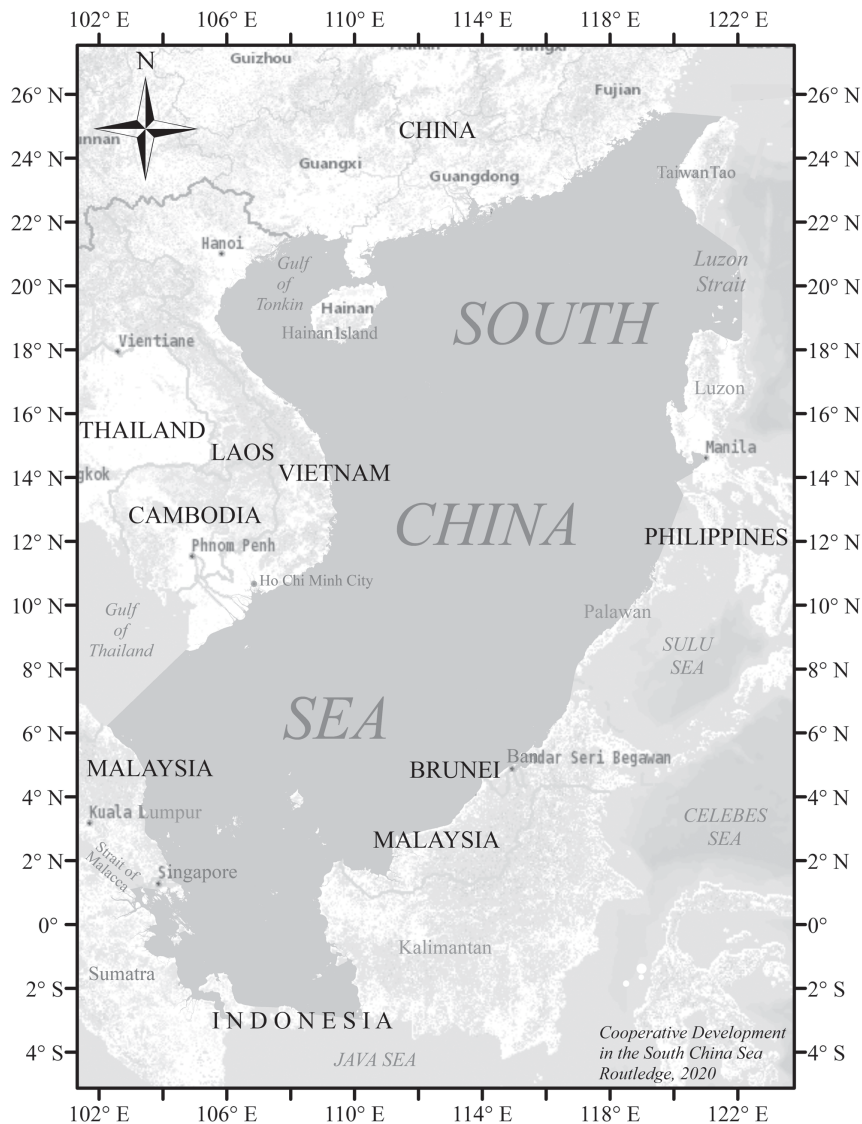
*Huaigao Qi and Song Xue*

The South China Sea (hereinafter referred to as the “SCS”) is a marginal sea in the western Pacific (see Figure 0.1). The SCS is a typical semi-enclosed sea. It is almost entirely surrounded by continent, peninsula, and islands, with its north connecting the East China Sea with the Taiwan Strait, its east connecting the Pacific Ocean with many straits, and its southwest connecting the Indian Ocean with the Strait of Malacca. The northern part of the SCS connects Guangdong, Guangxi, Hainan, Fujian, and Taiwan of China. The eastern and southeastern part is adjacent to the Philippines. The southern part connects Malaysia and Brunei, including Kalimantan Island. The western and southwestern parts adjoin Vietnam and the Malay Peninsula (Zhang 2014, 11–12). Clockwise from the north, six coastal States surround the SCS, namely China (including China’s Taiwan), the Philippines, Malaysia, Brunei, Indonesia, and Vietnam.

The SCS hosts many territorial and sovereignty disputes, involving multiple coastal States, and it is often regarded as one of the biggest security and political threats to the Asia-Pacific region. The claimant states have sought to solve problems through bilateral negotiations to delimitate maritime boundaries, or to manage potential conflicts through making rules such as the Declaration on the Conduct of Parties in the South China Sea or the Code of Conduct (COC), which is currently under discussion. Against this backdrop, some claimant states also advocate the joint development or cooperative development of living and non-living resources in the disputed waters to ease tensions in the SCS while simultaneously sharing the economic benefit from developing natural resources. Some Southeast Asian countries, such as Malaysia and Thailand, have set commendable examples of successful joint development.

This edited volume is a collective work of contributors from each of the six coastal countries in the SCS. Different from previous works on similar topics, which take an approach based on international laws, this book provides an alternative analytical approach. With backgrounds mostly as political scientists, policymakers, or policy consultants, the contributors to this volume keep a sharp eye on the changing dynamics of the interplay between regional order, domestic politics, and national interests in the SCS, and they

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*Figure 0.1* Map of the South China Sea

*Note:* The boundaries and names shown on this map are not necessarily authoritative.

*Source:* This map is based on the following sources: United Nations (2012); Flanders Marine Institute (2018); International Hydrographic Organization (1953, 30–31)

ground their analysis on rich historical evidence. The concerns that they raise in this volume, which may impede joint development ventures and the policy orientations that they point to, are particularly useful for those interested in the ongoing SCS dispute and ways out of conflict.

### **Concepts of joint development and cooperative development**

The concept of “joint development” is used frequently by the authors in this book. Joint development here refers to:

[a] procedure under which boundary disputes are set aside, without prejudice to the validity of the conflicting claims, and the interested states agree, instead, to jointly explore and exploit and to share any hydrocarbons found in the area subject to overlapping claims.

(Shihata and Onorato 1998, 434)

In this book, joint development focuses on sea areas with overlapping maritime claims. If the interested states have signed a maritime boundary delimitation agreement, even if they have agreed to jointly explore and exploit any transboundary hydrocarbons, this is not viewed as joint development. For example, China and Vietnam signed the Agreement on the Delimitation of the Territorial Seas, Exclusive Economic Zones and Continental Shelves in the Beibu Gulf (Gulf of Tonkin) in December 2000, which went into effect in June 2004. Not long after, the two countries discussed joint exploration and exploitation of transboundary oil/gas resources. In November 2005, a China–Vietnam joint statement spoke of “joint exploration and exploitation on transboundary oil/gas structure in the Beibu Gulf” (Government of China 2005); similarly in June 2013, a China–Vietnam joint statement spoke of “joint exploration on transboundary oil/gas structure in the Beibu Gulf” (Chinese Ministry of Foreign Affairs 2013a). Nowhere did these two bilateral joint statements mention the term “joint development” in the Beibu Gulf.

In the spirit of joint development, some countries advocate the concept of “cooperative development,” which has a more elastic meaning. The concept of cooperative development appears in a Memorandum of Understanding on Cooperation on Oil and Gas Development, signed by the governments of China and the Philippines in November 2018 (Chinese Ministry of Foreign Affairs 2018). The title of the 2018 China–Philippines memorandum of understanding (MOU) refers to “Cooperation on Oil and Gas Development” rather than joint development. While the MOU mentions “oil and gas exploration and exploitation in relevant maritime areas consistent with applicable rules of international law,” there is no definition of the areas considered “relevant.” Presumably, relevant maritime areas include sites previously targeted for joint development, such as Liyue Tan (Reed Bank); but they could include any other areas identified by both parties, even undisputed areas that China does not claim since there are no parameters or restrictions (Batongbacal 2018).

According to this analysis of the 2018 China–Philippines MOU, the concept of “cooperative development” can pertain to areas with or without maritime boundary disputes. The subjects of cooperative development can be either states or companies, and it can be implemented consistent with one claimant state’s laws. Cooperative development enables a broader framework for claimant countries to work together to explore and/or exploit hydrocarbon resources.

In fact, the nature of cooperative development can be found in the Principled Consensus on the East China Sea Issue between China and Japan in June 2008 (the 2008 Consensus), despite the term not showing up in the official document. According to the 2008 Consensus, China and Japan define a small block in the northern part of the East China Sea for joint development. At the same time, under the 2008 Consensus, Chinese enterprises welcome the participation of Japanese corporations in the development of the existing Chunxiao (also known as Shirakaba) oil and gas field in accordance with the relevant laws of China (Chinese Ministry of Foreign Affairs 2008b). The Chunxiao oil and gas field is located on the Chinese side of a Japanese-claimed “median line” (Japanese Ministry of Foreign Affairs 2008). Chinese Vice Minister of Foreign Affairs Wu Dawei argued that the development of the Chunxiao field is a kind of cooperative development, not a joint development (Government of China 2008). According to China, the Chunxiao oil and gas field remains within the sovereignty of China and has absolutely nothing to do with joint development (Chinese Ministry of Foreign Affairs 2008a). In contrast, Japan regards investing in the development of Chunxiao as joint development (Japanese Ministry of Foreign Affairs 2008). Wu Dawei stressed that China does not recognize the so-called “median line” claimed by Japan, and the 2008 Consensus, without prejudice to China’s sovereign rights and jurisdictions in the East China Sea (Government of China 2008).

In this book, some authors also use the concept of cooperative development in reference to creation of a common “fishing zone” and/or fisheries agreement in an overlapping area (see Chapter 10 by Song Xue and Huaigao Qi).

Why does the title of this book refer to cooperative development instead of joint development? One reason is the significant lack of clarity in maritime claims by the SCS coastal States in the Spratly Islands area. Lack of clarity on overlapping claim areas has been one of the major difficulties in reaching joint development agreements. To facilitate oil and gas exploration and exploitation in relevant maritime areas, it’s a realistic choice for claimants to replace the concept of joint development with cooperative development.

The other reason is that the concept of cooperative development can accommodate all the authors’ concerns on oil and gas exploration and exploitation among the SCS coastal States. Some authors in this book use the concept of joint development; some use other concepts, such as “joint cooperation” (Chapter 1 by Jolene Hui Yun Liew), “commercial arrangement” (Chapter 4 by Ngeow Chow-Bing), and “joint exploration” (Chapter 5 by Aaron Jed

Rabena). Authors' use of different concepts is not wordplay, but determined by the official policies of claimants.

Moreover, according to the definition of joint development, which pertains to a disputed area only, some states have concerns that by entering into a joint development deal they risk confirming the existence of a territorial dispute where they lay sovereignty claims, thus undermining their claims, despite Articles 74 and 83 of the United Nations Convention on the Law of the Sea (UNCLOS) ruling that provisional arrangements such as joint development will “be without prejudice to the final delimitation.” In contrast to the rigidity of joint development, cooperative development provides more flexibility, especially regarding the delimitation of cooperative development zones, which can include both disputed and non-disputed areas. Therefore, cooperative development can offer a more neutral approach to developing hydrocarbon resources jointly in the SCS.

The relevant literatures on cooperative development/joint development in the SCS include the following. The Environment and Policy Institute (EAPI)/Co-ordinating Committee on Offshore Prospecting (CCOP) Workshop, East-West Center, provided recommendations on the exploration and exploitation of hydrocarbon resources of the SCS (Valencia 1981). Valencia, Van Dyke, and Ludwig (1991, 3) reviewed several types of organization that might be established to manage the commons area and its resources, ranging from the loose Spratly Coordinating Agency to the robust Spratly Management Authority. Miyoshi (1999) discussed the relations between joint development and maritime boundary delimitation, and analyzed the Malaysia–Thailand Memorandum of Understanding of 21 February 1979 and the Malaysia–Vietnam Memorandum of Understanding of 5 June 1992. Beckman et al. (2013, 6) explored forms of joint offshore resource development and provided a “toolbox” of options to address the management and governance of areas of overlapping maritime claims in the SCS. Wu and Hong (2014) tested the applicability of a joint development regime in the SCS and explored the prospect of the joint development of resources as a way to successfully manage conflict in the SCS. Beckman (2015, 261–264) summarized nine recommendations for moving forward on joint development in the SCS. Yang et al. (2016, 146–149) summarized seven legal aspects related to joint development in the SCS as follows: joint development member states, joint development zones, contract modes, management mechanisms, fiscal and taxation systems, environmental protection, and nontraditional security threats. Shao (2018) summarized successful joint development cases involving Southeast Asian countries and discussed their implications for China and the other SCS coastal States.

### **Recent state practices among SCS coastal States**

The SCS hosts many disputes, partly due to its large hydrocarbon reserves and potential for exploitation of these resources. The US Energy Information

Administration (2013) estimates that there are approximately 11 billion barrels of oil reserves and 190 trillion cubic feet of natural gas reserves in the SCS. There are more than 30 oil- and gas-bearing basins and 397 oil and gas platforms in the SCS (China State Geospatial Information Center 2017). Figure 0.2 features 18 major oil- and gas-bearing basins in the SCS. In the north part of the SCS, the major oil- and gas-bearing basins are: Taixinan (Southwestern Taiwan) Basin, Taiwan Strait and Western Taiwan Basin, Zhujiang Kou (Pearl River Mouth) Basin, Qiongdongnan Basin, Beibu (Tonkin) Gulf Basin, Yingge Sea (Song Hong) Basin, and Bija'n'an Basin. In the south part of the SCS, the major oil- and gas-bearing basins are: Wan'an (Tu Chinh, Vanguard Bank) Basin, Nanwei'xi Basin, Nanwei'dong Basin, Malay Basin, Zengmu (East Natuna and Sarawak) Basin, Brunei-Sabah Basin, Liyue (Reed Bank) Basin, Palawan Basin, Beikang Basin, Andu'bei Basin, and Jiuzhang Basin (see Figure 0.2). Due to the presumed large off-shore oil and gas reserves in the SCS, the region is sometimes labeled the "new Persian Gulf."

Cooperative development/joint development has been widely accepted as a provisional arrangement of a practical nature that can be used by countries with boundary disputes to manage their disagreements, without prejudice to the validity of the conflicting claims. It is also encouraged by UNCLOS for the management of boundary disputes. Successful cooperative development/joint development creates a benevolent atmosphere for claimants to negotiate on delimitation issues while, at the same time, allowing conflicting parties to reap economic benefits from the exploitation of natural resources.

Given the competitive element in SCS disputes, it is fortunate that all the SCS coastal States share a similar vision of peace, development, and cooperation. The SCS coastal States actively search for solutions to their maritime disputes. Cooperative development/joint development may, therefore, be considered by the SCS coastal States as an ad hoc arrangement to prevent potential conflict and to promote win-win situations.

In fact, cooperative development/joint development initiatives in the SCS are not without precedent. In February 1979, Malaysia and Thailand signed a Memorandum of Understanding between Malaysia and the Kingdom of Thailand on the Establishment of the Joint Authority for the Exploitation of the Resources of the Sea Bed in a Defined Area of the Continental Shelf of the Two Countries in the Gulf of Thailand. In July 1982, Cambodia and Vietnam signed an Agreement on Historic Waters of Vietnam and Kampuchea (Kittichaisaree 1987, 180–181). In December 1989, Indonesia and Australia signed a Treaty between Australia and the Republic of Indonesia on the Zone of Cooperation in an Area between the Indonesian Province of East Timor and Northern Australia. In May 1990, Malaysia and Thailand signed an Agreement between the Government of Malaysia and the Government of the Kingdom of Thailand on the Constitution and Other Matters Relating to the Establishment of the Malaysia–Thailand Joint Authority. In June

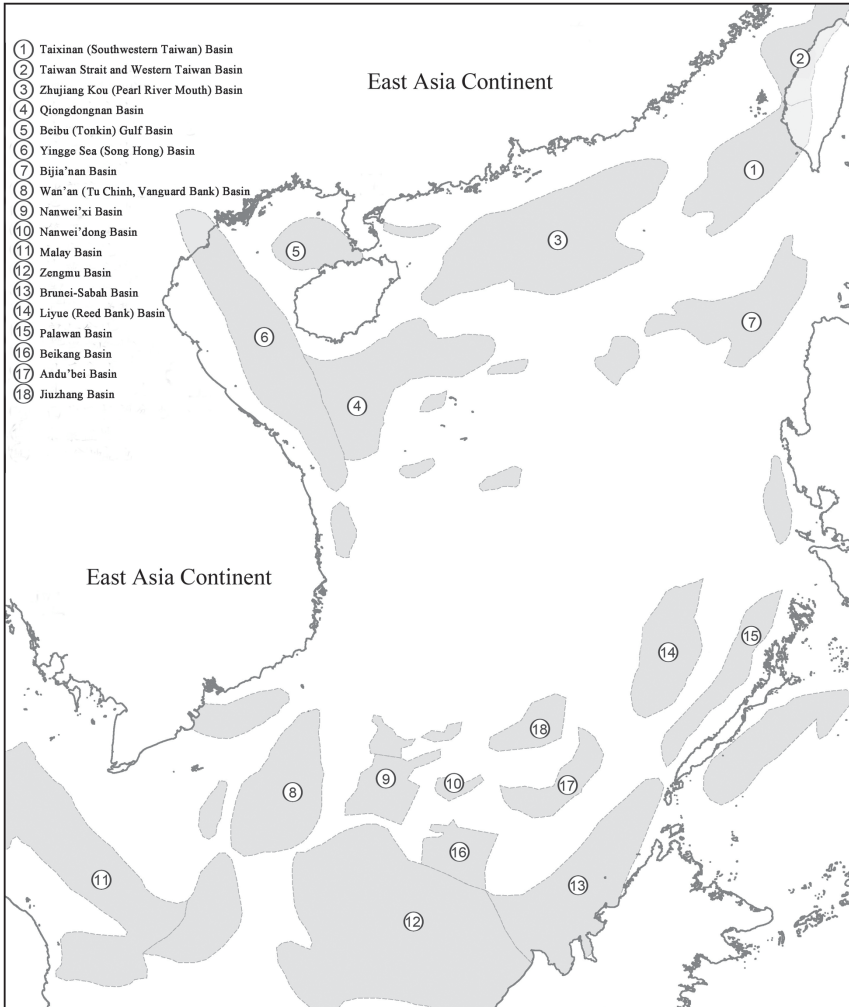


Figure 0.2 Illustrative map of oil- and gas-bearing basins in the SCS

Note: This map is for illustration only.

Source: This map is based on the following sources: Qi (2019, 222); Wang (2013, 415); China Geological Survey of Ministry of Land and Resources (2000, 26); Li (2011, 47)

1992, Malaysia and Vietnam signed a Memorandum of Understanding between Malaysia and the Socialist Republic of Vietnam for the Exploration and Exploitation of Petroleum in a Defined Area of the Continental Shelf Involving the Two Countries.

In December 2000, Vietnam and China signed an Agreement on Fishery Cooperation in the Beibu Gulf Area between the Government of the People's



Republic of China and the Government of the Socialist Republic of Vietnam (Chinese Ministry of Foreign Affairs 2000). In March 2009, Prime Minister of Malaysia Abdullah Badawi and Brunei's Sultan Hassanal Bolkiah signed an Exchange of Letters (EOL) (Smith 2010). With the EOL, Malaysia dropped its claim to the two oil blocks, but both countries also designated the two blocks as a commercial arrangement area to be jointly explored by Brunei and Malaysia (Ong 2013, 206–207). In January 2012, Malaysia and Indonesia signed an MOU on Common Guidelines Concerning Treatment of Fishermen by Maritime Law Enforcement Agencies of Malaysia and the Republic of Indonesia (Indonesian Ministry of Foreign Affairs 2012). The experience of, and lessons learned around, the commercialization of Malaysia, Vietnam, Brunei, Indonesia, and other ASEAN States could be adopted for future cooperative development/joint development in the SCS.

China has been in discussion with other coastal States on the cooperative development/joint development of the SCS since the 1980s. During the late 1980s, Chinese leader Deng Xiaoping proposed managing SCS problems by putting disputes aside in order to prioritize joint development (Chinese Ministry of Foreign Affairs 2016). In September 2004, China National Offshore Oil Corporation and the Philippine National Oil Company signed an Agreement for Joint Marine Seismic Understanding in an area of about 142,886 square kilometers in the SCS (CNOOC and PNOC 2004). Then, in November 2004, these two companies also subscribed to an agreement on joint oil and gas exploration in the disputed area. Furthermore, a Tripartite Agreement for Joint Marine Seismic Undertaking in the Agreement Area in the South China Sea was reached by oil companies in China, the Philippines, and Vietnam in March 2005, with the aim of conducting research on petroleum resource potential (Chinese Embassy in the Philippines 2005; Vietnamese Ministry of Foreign Affairs 2005). This marked a positive step, encouraging other SCS coastal States to follow. What's more, in April 2013 China and Brunei signed a joint statement in support of relevant enterprises in the two countries carrying out joint exploration and exploitation of maritime oil and gas resources (Chinese Ministry of Foreign Affairs 2013b). China and Vietnam's joint statement in November 2015 declared that the two countries would actively negotiate on joint development in the area off the mouth of the Beibu Gulf (Chinese Ministry of Foreign Affairs 2015).

Considering each coastal State's familiarity with cooperative development/joint development, the drafting of the ASEAN–China COC, and the relatively calm maritime situation since 2017, there is much hope for productive rounds of cooperative development/joint development dialogue among the coastal States in the SCS. China and Vietnam agreed to foster joint development in the waters off the mouth of the Beibu Gulf and to continue to promote the efforts of the working group on joint development at sea (Chinese Ministry of Foreign Affairs 2017). According to China and the Philippines' Memorandum of Understanding on Cooperation on Oil and Gas Development, signed in November 2018, “the two governments have decided to negotiate on an

accelerated basis arrangements to facilitate oil and gas exploration and exploitation in relevant maritime areas” (Chinese Ministry of Foreign Affairs 2018). In October 2019, China and the Philippines convened the first meeting of the China–Philippines Inter-Governmental Joint Steering Committee on Cooperation on Oil and Gas Development (Philippines Department of Foreign Affairs 2019).

Two conditions are necessary before there can be serious discussion on cooperative development/joint development arrangements (Beckman et al. 2013). First, joint development arrangements tend to be concluded in periods where good relations exist among the relevant parties. China and other coastal States in the SCS have taken steps to build confidence and trust among the claimants. New progress in the SCS, such as the ASEAN–China single draft negotiating text for the COC, are conducive to creating benign bilateral relations, which serve as a prerequisite to joint development. If benign relations can be established between China and other coastal States in the SCS, the first condition for joint development is met. Second, the parties must have the political will to make decisions that may face opposition within their own countries. China and other coastal States in the SCS are taking steps to reinforce among the public the underlying rationale for joint development and the advantages of pursuing this option, indicating that the second condition for joint development involves a process towards consensus.

### **Structure of the book**

This book consists of ten chapters. From Chapter 1 to Chapter 6, the book analyzes the cooperative development/joint development policies of the six SCS coastal States, namely Brunei, China, Indonesia, Malaysia, the Philippines, and Vietnam. Chapter 7 analyzes the US approach to joint development in the SCS, which plays an important third-party role. Chapter 8 analyzes business connectivity among industrial parks in the SCS rim, which is related to cooperative development in the SCS. Chapter 9 is a theoretical analysis of the conditions related to the failure of implementation of joint development agreements. Chapter 10 provides an in-depth analysis of the policies and prospects for cooperative development in the SCS. All the authors of this book are from the SCS coastal States. They hope to clear up misunderstandings and assuage doubts concerning cooperative development, as well as shedding light on creative ways to promote cooperative development in the SCS.

In Chapter 1, Jolene Hui Yun Liew reviews Brunei’s ongoing cases of joint development/joint cooperation with neighboring states Malaysia, China, and Vietnam. Liew points out three factors that have greatly influenced Brunei’s positive stance towards joint development/joint cooperation in the SCS with its neighbors: Brunei’s nonconfrontational approach; the country’s wider economic diversification strategy; and the rather lax geopolitical atmosphere in the region during the 2000s. She also discusses three factors preventing multilateral

joint development from taking place between Brunei and its neighbors: the functional shortage of a new generation of Bruneian researchers; the lack of major breakthroughs by Brunei's existing cooperative models; and the more complex geopolitical environment in this region today. In the face of the current predicaments, Liew makes two recommendations: first, focus on and enhance cooperation based on the existing bilateral joint development model, then discuss a multilateral joint development model later; second, as a starting point, claimants could consider cooperating on less sensitive areas of the SCS.

In Chapter 2, Huaigao Qi discusses China's economic and strategic incentives for its cooperative development/joint development initiatives with Vietnam and the Philippines since 2017. The economic incentives encompass a broad spectrum of goals, including the domestic demand for energy, the construction of a "21st-Century Maritime Silk Road," the Hainan pilot free trade zone, and construction of a common market and future economic integration among the SCS coastal States. China's strategic incentives are achieving its goal of becoming a leading maritime power, playing a constructive role in maintaining a peaceful and stable SCS, developing good relations with other coastal States, and reducing the intensity of China-US competition in the SCS. China may prioritize a few policies to endorse cooperative development/joint development: first, to promote good faith in the SCS; second, to limit unilateral activities in disputed areas; third, to focus on less sensitive areas of the SCS; fourth, to reach joint development arrangements by establishing a relevant working mechanism; fifth, to begin the process in areas where there are only two claimants; and sixth, to define sea areas for joint development by seeking consensus.

Indonesia, a non-claimant country in the SCS, is also a keen stakeholder in the discussion of cooperative development/joint development. In Chapter 3, Evi Fitriani recalls that Indonesia has been actively involved in promoting negotiations on SCS disputes and has been acting as a mediator since the early 1990s. Despite various efforts made to encourage dispute resolution and joint development, severe problems persist that hinder the negotiations of joint development, which include states' unwillingness to make concessions, a lack of strategic trust, and the inadequate engagement of nonstate actors who weigh up the benefits of regional identity over national state identity. Disputes also occur when states try to decide on the boundaries of joint development zones, because states tend to pursue joint development in territories that lay outside their claims. To make states agree on the field to joint development is also problematic because states want to gain more economic benefit than their counterpart and rarely complement their preferred fields of cooperation with other states' preferences. A free-rider attitude encourages states to only concentrate on profitable fields, while the common good, such as marine conservation, is more often than not ignored. Besides, with regard to the question of "who" is eligible to participate in joint development, the opinion on whether private sectors or institutions of extra-regional states

could be involved is changing over time. It is suggested that taking a multilateral, informal approach and involving youth could help to solve the deadlock of joint development in the future.

In Chapter 4, Ngeow Chow-Bing discusses prospects for Sino–Malaysian joint development in the SCS by examining the existing cases of Malaysia’s experiences in maritime joint development with its neighbors. These cases include the Malaysia–Thailand Joint Development Authority, the Malaysia–Vietnam Commercial Arrangement Area, the Malaysia–Brunei Commercial Arrangement Area, and the Malaysia–Indonesia MOU on Fisheries. Common factors in the successful implementation of these cases include: all the disputes arise from continental shelf claims, which renders the negotiation of joint development more of a technical issue than a sovereignty conflict; all of these disputes were confined to disagreements over maritime boundaries, rather than sovereignty disputes; maintaining amicable relations with neighbors prevails over disputes; economic and technical imperatives were in place for both parties to enter into a joint development cooperation; and, finally, public aloofness on the disputes in Malaysia enabled policymakers to make decisions. However, in the case of joint development between Malaysia and China in the SCS, these favorable factors are either absent or only partially fulfilled. Nevertheless, proposals are put forward in support of exploration in the area by Malaysia and China.

In Chapter 5, Aaron Jed Rabena examines the drivers and conditions that both enable and impair the prospects of Philippine joint development with China in the SCS. The drivers and conditions are determined by the following factors: the foreign policy strategy of the ruling government, pragmatism (energy security), and the desire to avoid a confrontational disposition vis-à-vis China. He also examines the political and legal challenges for the Philippines’ joint development with China in the SCS and recommends five measures necessary for this to succeed: maintenance of the status quo; finalization of the COC; improvement of Philippine and Chinese communication strategies to avoid misperceptions; adoption of a proper legal cover; and establishment of a fisheries agreement or bilateral mechanism for marine environmental protection in the SCS.

In Chapter 6, Bui Thi Thu Hien discusses Vietnam’s cooperative development in the SCS, looking at the existing cases, challenges, and policy suggestions. The Vietnamese government’s position on cooperative development is reflected in its participation in international conventions as well as the Communist Party of Vietnam’s resolutions and Vietnam’s internal law documents. Bui Thi analyzes the 1992 Malaysia–Vietnam MOU, the 2000 Sino–Vietnamese Fishery Agreement, and the 2005 Tripartite Agreement. She puts forward eight policy suggestions on Vietnam–China cooperative development in the SCS: (1) achieve the highest consensus of domestic public opinion; (2) strengthen closer ties with other countries around the SCS; (3) begin with less sensitive issues; (4) make parallel efforts to speed up the negotiations on maritime delimitation; (5) combine forms of cooperation on

land and at sea, with the aim of creating mutual interaction; (6) strengthen mutual trust; (7) develop an effective mechanism for a media campaign on cooperative development activities; and (8) promote negotiations aiming to set up a maritime cooperation fund.

The US is considered the most important third party in SCS disputes. The US always looms in the background despite seldom meddling directly in joint development implementation in the area. In Chapter 7, Nong Hong claims that US concerns in the SCS are limited to navigational rights, a legally binding Code of Conduct, and maritime domination. Joint development in the SCS has neither been a topic of comment nor the subject of a stand-alone or joint statement by the US government. As for US experts, academics, and think tanks, joint development has never been discussed in any systematic way. The only time there has been a focus on the issue was in late November 2018 when Chinese President Xi Jinping was in Manila and there was much anxiety that Duterte would “sell out” on the issue of joint development in the Philippines–China Memorandum of Understanding on Cooperation in Oil and Gas Development. The US energy industry might wish to play a bigger role in resource development in the SCS, in the form of joint ventures, in circumstances where the claimant states have clearly overcome the political and legal hurdles that have existed for decades.

In Chapter 8, Siswo Pramono and Bayu Rahmat Novita review the current situation in the SCS and argue that, while disputes continue, these are less violent than was the case decades ago. Most parties are willing to enhance regional stability and prosperity, which leaves ample space for cooperation. They evaluate the common traits of the economies of the littoral states and find that all of them, including China, suffer to some degree from politico-economic fragility. Improving national resilience through economic and social development would allow the respective parties to address that fragility. The two authors explore the relevant aspects of the ASEAN concept on a variety of economic zones, with a particular focus on industrial parks. They propose that industrial parks in the SCS rim will contribute to regional prosperity and trust-building, which will support long-term settlement of potential and real disputes.

In Chapter 9, Song Xue explores the conditions related to failure in implementation of joint development agreements. Applying the Crisp-set qualitative comparative analysis method to 19 joint development agreements that took place between 1958 and 2008, Xue distinguishes four aspects which often put obstacles in the way of joint development experiments: domestic politics, laws and security; foreign relations; economic incentives; and factors associated with joint development arrangements. Xue argues that the only condition causally related to failed joint development is the deterioration of bilateral relations, mostly related to the boundary dispute itself; contrary to common assumptions, lack of economic incentive, energy independence, domestic oppositions, third-party intervention, and disagreement over joint development arrangement do not generally show any correlation with failed

joint development. This finding implies that improving bilateral relations is a prerequisite for implementing joint development, not the other way around. It is suggested that claimant states take the provisional and non-prejudice clause in UNCLOS seriously and that they do not try to use joint development as a pretext to secretly consolidate a controversial boundary claim or confirm the status of a “dispute.”

The concluding chapter summarizes the policy recommendations proposed in the previous chapters. The increasing imbalance of power among claimants in the SCS has created a tendency to politicize all issues related to boundary disputes in the area. The joint development of hydrocarbon resources in disputed waters falls victim to geopolitical calculations and the zero-sum game mindset more often today than it did two decades ago. Understanding how interstate relations and domestic politics affect joint development provides a good angle for assessing the failure of previous joint development initiatives and finding ways to rebuild confidence on maritime cooperation. We put forward two approaches for promoting cooperative initiatives. One highlights restricting the relative gains mindset by: (1) investigating the misuse of the term “joint development” for political purposes rather than economic purposes; (2) finding alternative legal covers on a case-by-case basis to promote cooperative development; (3) reinforcing the non-prejudicial clause in provisional arrangements; and (4) controlling tensions by building political trust and making rules to regulate actions and collectively manage resources in the SCS. The other approach highlights encouraging a non-zero-sum game mindset by: (1) restoring confidence in cooperative development arrangements by focusing on attainable goals; (2) redesigning the incentive structure of cooperative development agreements by encouraging reciprocity between signatory states; (3) providing a certain level of transparency of knowledge and policy orientation to inspire academic discussions and innovative ideas on cooperation; and (4) paying attention to public perception of cooperative developments and correcting misperceptions if necessary.

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