Settlement Strategies in the South China Sea

Influences of Economic Dependence, the Occurrence of Violence, and Historical Relations on International Dispute Settlement Methods in Asymmetrical Power Relations

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Table of Contents

Introduction

The maritime disputes in the South China Sea have created a stage where seemingly similar actors adopt distinct strategies when facing a regional giant. Different states have staked their claim in these contested waters and argued that the islands, atolls, and anticipated natural resources belong to them. With its consistently rising economic and military figures, the People's Republic of China (PRC) has expressed a desire to negotiate a settlement with all other states on a bilateral basis (Liow, 2000, p. 689). It would allow Beijing to use its economic and military superiority over the other individual disputants to pressure them into signing a settlement beneficial to Chinese interests (Hellman, 2012; Shannon, 2009; Allee, & Huth, 2006). As history forewarned, the rising power has adjusted its foreign policy and has become increasingly assertive (Hong, 2013; Mearsheimer, 2010; Rahman, & Tsamenyi, 2010). Examining the less powerful states however, their actions become increasingly puzzling as they have all attempted to use different international dispute settlement methods. While Malaysia, Vietnam, and the Philippines all make no presumptions of withstanding the wrath of the Chinese giant, each David has taken a different strategy to deal with this Goliath. Malaysia is the only state that agrees with Beijing's request for bilateral negotiation (Cheng-Chwee, 2008, p. 173; Liow, 2000, p. 689). At the same time both Vietnam and the Philippines continue to push for involvement by a third party such as the United States or Japan to take up the role of mediator (Vuving, 2014; Hong, 2013, p. 31; Raine, & La Mière, 2013, p. 103; Torode, & Chan, 2010). The Philippines has taken even further measures and involved the Permanent Court of Arbitration (PCA) to try Beijing on its maritime claims (PCA, 2014; Raine, & La Mière, 2013, p. 116). The question remains why these three medium-sized states, all significantly weaker than the PRC in both military and economic terms, choose different strategies when attempting to settle their disputes with their opposing claimant. Therefore I ask the following:

Why do states in an asymmetric power relationship with a more powerful state pursue different international dispute settlement methods to settle maritime disputes?

Understanding the motivation behind these settlement strategies forms an integral part of grasping the development of these disputes. The driving force behind these different strategies

have mostly eluded the international academic agenda as scholars have paid attention primarily to the outcomes and effectiveness of particular dispute settlement methods. This thesis sets out to address this shortcoming by looking at the particularly intriguing situation that has evolved in the South China Sea. This scenario allows us to see what has influenced three states that defy the classic geopolitical assumption that power relations can explain their actions. However, it won't develop an argument about the legality of their claims or the motivations behind their claims. This essay will instead focus on why weaker states in an asymmetric relationship agree with the powerful state's preference for exclusive bilateral negotiation.

The significance of this puzzle goes beyond academia as the South China Sea holds importance for the world at large. The decisions made there will shape the future of a region that interests many powerful states. Washington announced its 'pivot to Asia' in 2010 after which it became increasingly involved with security issues in the region (Raine, & La Mière, 2013, p. 153). As multiple smaller states are looking for allies to balance against pressure from Beijing, the potential for involving other great powers such as the US, Japan, and India in possible conflict becomes clear (Mearsheimer, 2010; Rahman, & Tsamenyi, 2010). Moreover, the inability to resolve the dispute in the South China Sea holds particular global significance as one-third of the world's trade and half of its oil and gas traffic runs through its waters (Simon, 2012, p. 996). In total an amount of $5.3 trillion worth of trade flows through the South China Sea each year (Raine, & La Mière, 2013, p. 12). A conflict in such a location can easily deregulate our modern world order. When there is so much at stake in one region it becomes increasingly interesting why the states involved take different approaches in dealing with these disputes.

Three hypotheses are presented to explain why Malaysia, Vietnam, and the Philippines adopt particular settlement strategies. A review of the state of the literature leaves us with the hypotheses that these differences are reflected by economic dependence, the occurrence of conflict, or positive historical relations. The theoretical framework follows to explain how this thesis will assess the merit of these hypotheses. A short history of the case then precedes the analysis itself. Study of the collected data and literature finds a relation between the distinct settlement strategies and the amount of violence throughout the conflict, as well as with strong historical relations. No clear link becomes apparent between economic dependence and agreement with Beijing's preferred method of bilateral negotiation. Nonetheless, we can

conclude that there are clear indicators besides relative or absolute power that influence the strategy adopted by states to settle their disputes.

Literature Review

Research on the topic of international dispute settlement (IDS) has mainly focused on questions of escalation of conflict and effectiveness of different dispute settlement methods. Most published articles discuss the reasons why states end a conflict in the first place and which methods are most effective for creating a stable resolution. The question why states pursue different means of settling international disputes remains largely understudied (Melin, 2011; Simmons, 2002). Why weaker states in an asymmetric relationship would concur with the preference of the stronger state has received even less attention. The following section reviews the state of the literature on what reasons they provide for states to adopt particular settlement strategies.

Power has always been central in international relations and remains equally important in the explanation of IDS methods. Proponents of realism hold that power influences the strategies states pursue when dealing with international disputes. Bilateral negotiation holds the preference of more powerful states, as this allows them to use their superior military and economic position to apply pressure in the bargaining process (Hellman, 2012; Shannon, 2009; Allee, & Huth, 2006). However, studies have shown that even economically and militarily powerful states decide to involve third parties or even accept binding international arbitration (Mitchell, & Powell, 2007). A balance of power between disputants on the other hand makes them more likely to pursue arbitration (Lefler, 2014).

The big difference in power explains why the PRC wants to use bilateral negotiation rather than involving an international court or other diplomatic third parties. The Chinese Ministry of Foreign Affairs repeated their position in December of 2014 in their *Position Paper of the Government of the People' s Republic of China on the Matter of Jurisdiction in the South China Sea Arbitration Initiated by the Republic of the Philippines* as they stated the following: "[W]ith regard to disputes concerning territorial sovereignty and maritime rights, China has always maintained that they should be peacefully resolved through negotiations between the countries directly concerned" (Ministry of Foreign Affairs of The People's Republic of China, 2014, art. 30).

However, power fails to explain the differences we witness in the South China Sea between medium-sized states that face the militarily superior PRC. Malaysia for example refrains from accepting third party help and continues to abide by Beijing's preferred method of negotiation. Pure military power also can't explain the difference between the Philippines and Vietnam, as the Philippines has stepped to the Permanent Court of Arbitration (PCA) and Vietnam has not. Taking into consideration military alliances might change the power relations significantly. States that have defence treaties and military contracts with a powerful third party might benefit from this in such a way that it changes their perspective. Yet when we look at the situation in the South China Sea we see that the three disputing states all have military alliances with the powerful Western states in some capacity. The 'Mutual Defense Treaty' between the Philippines and the United States has been in force for decades and they recently agreed on the 'Enhanced Defense Cooperation Agreement' which allows the US to increase its military presence in the Philippines (Buszynski, 2002, p. 500). Malaysia on the other hand is part of the Five Power Defence Arrangement (since 1971) including the UK, Australia, New Zealand and Singapore (Thayer, 2012). Vietnam has no apparent guarantees but in negotiations with Washington about increased cooperation (Simon, 2012, p. 1012). As such, military alliances do not alter the situation in a way that could explain the differences between strategies. If it would, we would have to see that Vietnam agrees more easily than Malaysia, rather than the situation we currently witness. Military power, even with inclusion of military alliances, thus seems unable to explain the differences within the South China Sea.

The influence economic relations have on states' foreign policy has been researched extensively. A primary example, interdependence theory, holds that trade and direct investments between countries can deter states from escalating conflicts (Lee, & Mitchell, 2012; Gartzke, et al., 2001). While the literature has not attempted to see to which extent this explains the preferences towards particular IDS methods, it does give insight into incentives to cooperate (Buszynski, 2002, p. 485). When looking at the South China Sea, we might thus be interested to see whether states agree with Beijing's demand for pure bilateral negotiations because of their strong economic relationship. If Malaysia for example depends more on its economic prosperity on the PRC than the other states, it could explain why Malaysia has been acting on terms with Beijing while Vietnam and Philippines have taken the liberty to pursue other methods. Research has been done on the relation between trade and the possibility of cooperation in the South China

Sea, but not into why the states involved adopted different settlement strategies (Ravindran, 2012; Chien-Peng, 2007).

The norms and beliefs of states are another major influence on their preferred IDS method. Because the involvement of an independent third party in mediation or arbitration reflects democratic values (e.g. independent judge, legitimacy of the law), scholars have argued that these methods are more likely to be used by liberal states (Mitchell, 2002; Raymond, 1994). Arguments have also been raised that there exists a general reluctance in Asia towards the use of legal methods because of Asian norms of good neighbourly behaviour and a general fear for loss of face (Bautista, 2014). If a state asks for the involvement of a third party it violates the proper neighbourly and respectful behaviour that rules most Asian cultures. At the same time, the possibility that an international court hands out an unfavourable binding decision could result in loss of face in domestic politics. The interaction in most Asian cultures attempts to prevent loss of face as their status depends on their reputation. A decision by an outside court that proves a state wrong and imposing a reward could thus be disastrous.

Both the argument based on norms and culture fail to explain the differences in strategies of the countries surrounding the South China Sea. The Asian heritage argument only creates a general picture that does not distinguish between countries and therefore also doesn't distinguish between the different strategies. Although they all belong to the Association of South East Asian Nations (ASEAN), this regional organisation stands equally divided as to what methods to promote (Raine, La Mière, 2013, p. 130). The presence of liberal values also doesn't explain this case as the evidence contradicts our expectations. The theory expects the Philippines and Vietnam to be the most liberal because they propose to include mediation and arbitration. Malaysia on the other hand would lack these democratic principles as it shuns these strategies. However, when we look at the democratic freedoms and liberal values present in these states they don't reflect the IDS methods employed. Both the Freedom House Index and the Democracy Index rate Vietnam as the most authoritarian, while it has actually asked for mediation by a third party. Using a Freedom Rating where 1.0 is best and 7.0 is the least free, Freedom House regards Vietnam as 'not free' with a rating of 6.0. The Philippines is regarded 'partly free' scoring a 3.0, while Malaysia is also regarded 'partly free' with a Freedom Rating of 4.0 (Freedom House, 2014). According to the Democracy Index from The Economist Intelligence Unit, Vietnam constitutes an authoritarian regimes, while Malaysia and the Philippines are qualified as flawed

democracies (Democracy Index, 2013). Arguments based on regime type and democratic norms thus don't explain the strategies taken by the different disputants. These theories are thus unable to explain these differences because they look at generalizations of culture and regionally shared norms.

Besides general structures and transcending norms and cultures, states' decisions are also influenced by the practicalities of these IDS methods and their impact on domestic politics. Arbitration has particular significance in this regard, as it requires states to subject their sovereignty to a decision by an external party. As such, many have argued that states prefer mediation over arbitration because it allows them to maintain control over the process (Spain, 2010; Merrils, 2005). Exactly this fear of giving away sovereignty and the fact that many states still voluntarily accept arbitration has puzzled many academics. A competing argument suggests that arbitration offers states certainty of process due to its strict procedures and a binding outcome (Spain, 2010). This rationale can be witnessed in the influence that a domestic political situation can have on the choice for certain methods. Even though this thesis will focus on the questions raised by the different relations between the disputants and the PRC, it's important to consider the literature that exposes domestic influences. The certainty of a clear arbitration award can cause governments to accept international legal methods when they anticipate significant domestic audience costs for the making of voluntary, negotiated concessions (Simmons, 2002). High accountability to domestic political opposition, as well as a topic's great importance with domestic audiences, can therefore drive leaders to seek "political cover" (Allee, & Huth, 2006; Malintoppi, 2006). As groups don't want to give in to their domestic political rival they expect higher rewards from arbitration (Simmons, 2002). These influences may be exacerbated by the nationalism that the area has witnessed in the wake of these disputes. The nationalist protests and riots that Chinese assertiveness sparked in Vietnam shows that it is present and relevant in Southeast Asia (Thayer, 2011a; Cheng, 2011; Chien-Peng, 2007). Scholars have argued that these tendencies complicate policy options for states by increasing the domestic costs for agreement (Ravindran, 2012; Manicom, 2008; Wiegand, 2005). Domestic political dynamics are however not in the interest of this thesis, as it focuses on the particular differences in relationships with the PRC.

A second institutional explanation holds that precedence can influence a state's strategy. States that have previously experienced negotiation or mediation, either successful or

unsuccessful, are more likely to use these methods again (Hellman, 2012). Other studies have found that precedence with international arbitration and adjudication has a particularly strong influence on states that have a high level of rule of law domestically (Powell, & Wiegand, 2014). Governments are more likely to opt for legal methods when they have won more previous cases than they have lost. States with a low level of domestic rule of law don't concern themselves as much with their win/loss record and seem to remain open to legal methods even if they have consistently lost in the past. However, we have already established that regime type fails to explain the different approaches to these disputes as the Philippines and Malaysia are both considered 'flawed democracies' but their strategies are far removed.

The intensity of the dispute and the occurrence of violence has also been called upon to explain the strategy of states towards that dispute. Scholars seem to agree that a violent history and a failed peace push states to look for a settlement (Shannon, 2009; Hensel, 2008). However, when the debate moves to the particular methods that states use, the role violence plays has been argued from different angles. Some have found that "militarized conflicts provoke third party management [...] but not bilateral negotiations" (Shannon, 2009, p. 154). Additionally, research has shown that the intensity of conflict can also increase the likelihood of mediation due to high conflict costs (Beardsley, & Greig, 2009). Next to intensity, it has been argued that complex, long, and drawn-out conflicts are more likely to get mediated (Bercovitch, & Jackson, 2001). On the one hand we thus see the logic that when conflict become more violent it seems to incentivize states to look for a third party that can help terminate the dispute. But even though the case of the South China Sea has seen some confrontation, it has strayed far from all-out conflict. On the other hand, arguments have been raised that conflict between enduring rivals causes states to reject third party involvement (Bercovitch, 1999). This generates a contradiction in our common perception. We expect longer periods of violence to create animosity between states. However, the use of force pushes states towards a third party for settlement while animosity causes it to reject that same outside interference. This contradiction requires us to look closer at state of the literature and the South China Sea case.

First of all, to assess the impact that the use of force can have on foreign policy, we need to look at critical security studies and the perception of threats. Realism sketches an international state of anarchy where states fear for the offensive capabilities of all other states. In reality, we see a more complex web based on perception and identities. States construct an idea of what

constitutes a threat by looking at their own identity and that of the other state, which is mutually constructed through the use of norms, social practice and context (Hopf, 1998). These identities then reduce uncertainty, which ensures that a security dilemma isn't necessarily the starting point in the analysis of international relations (Hopf, 1998). Rather than balancing against power, states align against threats, the perception of which is based on these identities (Hopf, 1998; Waltz, 1987). Our analysis of the occurrence of conflict thus shouldn't only look at the relative power difference but also at the way these states interpret the actions and construct the identity of the Other. Moreover, some threats are seen by the political establishment as posing "an existential threat" to the survival of the state (Peoples, & Vaughan-William, 2010, p. 76). The occurrence of violence can thus be interpreted very differently if the actions by the other state are perceived as posing a severe threat to national security.

Secondly, long term animosity between states can lead them to reject third party involvement when settling their disputes. In order to asses these relations we need to understand how they are mutually constructed throughout history. The long relations in Southeast Asia have been split before along continental (e.g. Vietnam) and maritime lines (e.g. Malaysia, the Philippines). These are respectively more dominated by the PRC's strategic landscape due to history, geography and lack of alternatives, while the latter are more developed and have more strategic options available (i.e. alliance with US) (Goh, 2007). However, practice seems to contradict this particular theory as Vietnam has actually been more open to outside interference than Malaysia. At the same time both Vietnam and the Philippines have clear historical tensions with the PRC (Goh, 2008). This theorization fails to grasp the constructivist principles of socially constructed identity and related perception discussed. Malaysia and the PRC have for example been long term friends due to the former's status as the first to recognize the CCP as the legitimate rulers of the People's Republic of China (Cheng-Chwee, 2008, p. 167; Liow, 2000, p. 672). We should identify these different identities, as they give states "an understanding of other states, its nature, motives, interests, probable actions, attitudes, and role in any given political context" (Hopf, 1998, p. 193). Vietnam can for example see the PRC as an ally, a fellow communists, a threat, an Asian state, or many other identities, and these can coexist at the same time. The identity awarded to the PRC by these different states can thus tell us something about how they expect it to behave and might explain how they act in response. As such both the long term relations and short term effects warrant analysis.

The core literature thus provides several explanations for states' strategies when it comes to IDS. At the same time, certain gaps have become apparent in the literature. In order to address the earlier established gaps and contradictions, this thesis will research the influence that economic dependence, the occurrence of violent confrontations, and long term bilateral relations can have on states' preferred international dispute settlement methods.

Theoretical Framework

In order to explain the different strategies employed by the disputants, this thesis looks at the relation between the IDS methods employed and distinct aspects of international relations. First, we assess what these three different strategies are and then categorize them in such a way that they are hierarchically structured and reflect Beijing's preferences. Secondly, this section examines the theoretical relation between these foreign policy decisions and the three explanations that resulted from the literature review. As such we link economic dependence, the occurrence of violent conflict, and historical bilateral relations to settlement strategies in asymmetrical power relations.

In order to properly research the strategies used by states in the South China Sea, we need to qualify the IDS methods they use into three categories based on their primary characteristics. This allows us to recognize when states use multi- or bilateral methods, and legal or diplomatic methods in an instant. More importantly, it allows us to establish a hierarchy between the strategies employed by these states in relation to the preferences expressed by the PRC. This hierarchy reflects the notion that there is a significance in the extent to which these states accept or distance themselves from Beijing's preference. This is important because we have seen that powerful states are expected to use bilateral negotiation to use their relative bargaining advantage (based on their military and economic advantage) and this thesis intends to find out how states respond to this. We arrive at three distinct IDS methods, namely negotiation, mediation, and arbitration. Bilateral negotiation remains the most common way of resolving disputes (Lefler, 2014). It allows states to deal with another state directly and thus maintain control over the process and the outcome without the involvement of other parties in their debates or decisions. Secondly, states have the option to involve a third party in their diplomatic negotiations. By acting as a mediator, a state or international organization can guide the negotiations and help the disputants come to a settlement. A mediator can also offer to oversee

the compliance to any resolution, although this remains on a voluntary basis. However, the involvement of such a third party, even if voluntarily, gives away some of the control that states would maintain in bilateral negotiations. Finally, states that have a dispute can turn to arbitration or adjudication by an international court or tribunal to provide a binding, final settlement of the dispute based on international law (Merrils, 2005). This gives us three distinct methods and strategies that can be categorized according to the number of parties involved, field of approach (or discipline), and (non-)binding nature of the reward. See table 1 for an overview of these descriptions.

The preferred method for the PRC to solve its international disputes is through bilateral negotiation, which forms the base of the argument (Yahuda, 2013, p. 456). Beijing has used its military and economic power to push for negotiations in line with arguments we have discussed before (Lefler, 2014, p. 2). The other two methods signal a step away from Beijing's request and are thus expected to come from states that have the option to distance themselves from the PRC. In the past the PRC has condemned actions involving third parties in the debate. Last year Chinese defence minister Gen. Chang Wanquan responded to efforts to internationalize the South China Sea disputes by stating that "these disputes should be resolved by the countries directly concerned. [...] We oppose any attempt to internationalize or complicate the disputes" (Barnes, 2013). A state's choice for mediation therefore signals the first step away from Beijing's preferred strategy. The PRC most strongly opposes being forced to use arbitration to resolve its maritime disputes. Introducing the powers of an international tribunal that can reward a binding decision would damage their strong bargaining position even further. The PRC has taken a strong stance to avoid the use of arbitration to resolve its disputes due to "loss aversion [...] and outside options" (Lefler, 2014, p. 2). Arbitration is therefore the farthest away from Beijing's preference. The established hierarchy (see table 1) reflects the PRC's status as a powerful state that wants to pressure states in the bargaining process. States that are willing to go further on this adopted scale are thus expected to be more resistant to Chinese requests or to have a stronger drive to resist. States that comply are thus expected to be more dependent on the PRC in relation to economics for example.

Table 1. Categorization international dispute settlement methods

#	Method	Hierarchy	Number of Parties	Field of approach	Reward
1	Negotiation	PRC Preference	Bilateral	Diplomacy	Non-binding
2	Mediation	PRC Opposed	Third Party	Diplomacy	Non-binding
3	Arbitration	PRC Strongly Opposed	Third Party	Legal	Binding

This thesis researches how several aspects of international relations influence states' positions in regard to the PRC and their settlement strategy. Firstly, I expect that economic dependence of one state on another influences its compliance to the other state's preferred IDS method. Because we are interested in the decision of one state, this thesis will look at 'dependence' rather than 'interdependence.' A state is more dependent on another the higher the amount of bilateral trade and the amount of foreign direct investment (FDI) is in relation to the overall economic transactions. A higher dependence can be expected to lower motivation for states to involve a third party in order to ensure their decision doesn't harm bilateral trade or foreign investments. At the same time economic dependence makes states more vulnerable to sanctions (Ravindran, 2012, p. 106). As such a higher economic dependence should cause the state to limit its strategy to the one preferred by the state it is dependent on.

> **Hypothesis 1:** Weaker states in an asymmetric power relationship are *more* likely to accept the other side's preferred settlement strategy when they have a higher economic dependence on the stronger disputant.

Secondly, this thesis researches the impact that violence has on the relations between states and their preferred methods. The literature was unable to provide us with a clear proof that the use of force can be seen as the sole explanation for specific methods. However, I expect it to have a clear impact on the agreement between states on a preferred method. More violence is likely to result in more pressure on governments to resolve the dispute in a timely fashion and look for third party interference if it feels negotiations have failed. As such, coercion might not give the

desired result for the more powerful claimant. We anticipate that more violence during a dispute will result in less agreement with the claimant's request for bilateral negotiation and that it makes states more likely to involve a third party in the dispute.

> **Hypothesis 2:** Weaker states in an asymmetric power relationship are *less* likely to accept the other side's preferred settlement strategy when they have experienced more violence in the ongoing dispute.

Finally, I anticipate that a history of good bilateral relations between two states will cause them respect the other side's request. Even though they might experience strong domestic pressure to resolve the dispute by other methods, they will opt for the strategy encouraged by the other disputant due to mutual trust and fear of harming the relationship. Constructivist theory acknowledges the importance that historical contexts have on states as "choices are rigorously constrained by the webs of understanding of the practices, identities, and interests of other actors that prevail in particular historical contexts" (Hopf, 1998, p. 177). As such we want to see to which extent that is the case in the South China Sea.

> **Hypothesis 3:** Weaker states in an asymmetric power relationship are *more* likely to accept the other side's preferred settlement strategy when they have a history of good bilateral relations with the stronger disputant.

The three hypotheses all explain a different aspect of the relation between states that can influence their settlement strategy. Multiple hypotheses might prove to be correct at the same time. Economic dependence and a history of good relations can overlap as long lasting trade relations can contribute to mutual trust. States can attribute a trustworthy character to other nations for other reasons than economic interests as well, such as a shared ideology or common interests. The use of force might signal that a relationship was not sound to begin with. Old friends can still fight because of changing circumstances or incentives. Only research can show what is the case in the South China Sea. These three hypotheses aren't necessarily related to each other although effects of one could in certain scenario's reinforce another. An in depth analysis of the results will be able to review whether this is the case. In conclusion, it is possible that we find

supporting evidence for all three hypotheses, i.e. there are no inherent contradictions between the different hypotheses.

Research Design

The empirical analysis focuses on the effects of international relations on agreeing about a settlement strategy. In order to research whether the established hypotheses hold I will look at the variables involved, the data collection, and the method of analysis. At the same time I will establish why the South China Sea and the cases selected (the Philippines, Vietnam and Malaysia) suit this approach.

Variables

This thesis is interested in what leads states to agree with or reject the requested IDS method. As such the outcome (i.e. dependent variable) I look for is the place within the hierarchy of acceptance established previously. The hypotheses will be tested by looking at the relation of the different independent variables to the dependent variable. These independent variables are economic dependence, the occurrence of violence, and historical relations. For hypothesis 1, I will look at the economic dependence of the weaker disputant on the stronger claimant. These economic relations will be measured by looking at the amount of bilateral trade, foreign direct investment (FDI)[1] and official development assistance (ODA). Trade dependency will be calculated by establishing how much percent the economic links with the PRC are in regard to the overall image of economic relations. Because some states rely more on trade for their economic prosperity than others, I will calculate the level of dependence based on trade as part a percentage of GDP. Trade-to-GDP has been defined by the OECD as "the sum of exports and imports divided by GDP. This indicator measures a country's "openness" or "integration" in the world economy. It represents the combined weight of total trade in its economy, a measure of the degree of dependence of domestic producers on foreign markets and their trade orientation (for

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[1] FDI has been defined by the Asian Development Bank as the "net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments" (Asian Development Bank, 2014).

exports) and the degree of reliance of domestic demand on foreign supply of goods and services (for imports)" (OECD STAT, 2014).

The level of violence during the dispute will be calculated by referring to the amount, duration and intensity of violent clashes that have occurred. As we are dealing with maritime disputes, these mainly concern the involvement of military or civilian vessels in ramming vessels from the other disputant, the seizure of ships or cargo and any forms of violent skirmishes. Intensity will be evaluated by looking at threats of the use of force opposed to the actual use of force. I will take into account violent conflicts that occur from both sides, although we must keep in mind that violence instigated by the PRC might have a stronger influence on the final decision of the disputant. Assaults instigated by the smaller nation will be a reflection of the position already taken, rather than an influence on it. Nonetheless, as it remains difficult to verify which side engaged first, we will look at the complete range of incidences instead.

Finally, long-standing friendly bilateral relations should help determine whether states agree on the settlement strategy recommended by the more powerful state. The notion of good relations will be measured by public statements, treaties and shared agreements and will mostly come from engagement with the literature available. As identities and relations are mutually constructed not only through statements but by practice as well, we shall also see how academics analyse these relations in practice beyond the field of the disputes. Table 2 reflects all these indicators.

Table 2. Overview of variables and indicators

Dependent Variable (DV)	Independent Variable (IV)	Indicators
Agreement on preferred settlement strategy in asymmetrical relationship by weaker state	H1: Economic dependence	Trade, foreign direct investment (FDI), official development assistance (ODA)
	H2: Level of violence during dispute	Military clashes, seizures, other incidents
	H3: Good bilateral relations	Public statements, treaties, shared agreements, academic analysis

Case Selection

The situation in the South China Sea offers a unique opportunity to research the motivation of states regarding their settlement method preferences. The PRC claims nearly the entire South China Sea based on the historical claim of "the nine-dash line" (see figure 1). This concept refers to the nine dashes that were present on a map showing their territory over a century ago and is still used today (Hong, 2013; Rowan, 2005). Several other states currently hold competing claims to the territory and islands present in the region (see figure 2). The Philippines, Malaysia, Vietnam, the Republic of China (ROC) and Brunei have all staked their claim in the region, which creates an interesting scenario for research.

Figure 1) Claims by all disputants in South China Sea
(Source: David Rosenberg, www.southchinasea.org)

Figure 2) Nine-Dash Line and UNCLOS EEZ
Zones (Source: BBC News)

My research will compare the Philippines, Vietnam and Malaysia, because these three disputants are similar in five important ways. First, they are all involved in maritime disputes in the same region with the same claimant (the PRC). Secondly, all these three states are generally considered medium-sized states (economically and militarily) which creates a similar and interesting dynamic in comparison to the large claimant state. Brunei and the ROC will thus not be used to test the hypotheses because these states don't qualify as medium-sized states.[2] Thirdly,

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[2] The Republic of China (commonly referred to as Taiwan) can be identified as a small state when looked at in isolation of its claim on the great Chinese mainland. Its maritime claims overlap that of the PRC, but involving them in the research would open up an entirely different debate on which "China" holds the sovereignty over the disputed

all states have signed and ratified the United Nations Convention on the Law of the Sea (UNCLOS) and thus are able to use it in arbitration. Fourthly, the disputing states take clearly distinct strategies to settling their maritime disputes, resorting to different international dispute settlement methods. The Philippines expressed preference for negotiation, mediation, and arbitration. Vietnam also wants to use negotiation and mediation, but doesn't want to use arbitration. Malaysia only wants to use negotiations (see overview in table 3). Finally, we can rule out the role of general cultural heritage by comparing cases in one theatre rather than around the world. This allows us to research the individual impact of several variables on their conduct towards the other claimant.

Table 3. Strategies in the South China Sea case

State	Bilateral	Third-Party	Diplomatic	Legal
The Philippines	X	X	X	X
Vietnam	X	X	X	
Malaysia	X		X	

Moreover, the South China Sea case has strong international economic and political relevance. Although the area mainly holds uninhabitable rocks and some island archaeologies, the potential for important resources as well as the importance of these territories to national identity has caused states to take a hard stance on these maritime disputes. As mentioned in the introduction, we shouldn't forget that what happens in this region has significance for the global economy as one-third of the world trade and half of the oil and gas trade runs through its waters (Simons, 2012). These are all factors that make this case particularly relevant for research in the field of international relations as understanding what drives these states down a certain path can help us understand how they behave in disputes that the entire world wants to see resolved.

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area (Raine, & Le Mière, 2013, p. 128). Moreover, unlike the other states, "Taiwan is not party to ASEAN discussions or a signatory to UNCLOS, and has limited opportunities for bilateral discussions with other actors, given that it has no diplomatic relations with these claimants" (Raine, & Le Mière, 2013, p. 129). As such the decision has been made to exclude Taiwan from the analysis.

Data Collection

The independent variables will be measured by looking at data that relates to the different relationships between the disputants. Economic dependence (hypothesis 1) will be tested by analysing data gathered from the World Bank's 'World Integrated Trade Solution' (WITS) database and the United Nations Conference on Trade and Development (UNCTAD) database. Finally, academic literature can provide additional information relating to the economic relations between the disputants and the PRC. All these sources will be used to create a complete picture of the economic relation between the different disputants. To calculate the occurrence of violence I have the possibility to use data from different sources. I will primarily use the Correlates of War (COW) Dataset which has gathered information on all instances where one state threatened, displayed, or used force against another in its Militarized Interstate Disputes (v4.01) dataset (Palmer, et al., forthcoming). More recent incidents can be found in the CrisisWatch Database available through the International Crisis Group. Additional information from relevant literature on the South China Sea case can establish events that the other databases missed as well as the very important question of how these states interpreted the use of force by the other side. A history of good public relations will be the most difficult to assess. The main sources will be the analyses made by several scholars in different fields (e.g. IR, Asia studies).

Method of Analysis

The three cases will be analysed using case comparison and a method of difference (i.e. most-similar design). Using this method will allow me to establish what has helped push these states to adopt these strategies. As mentioned when discussing case selection, these cases are similar in five very important ways: 1) They face the same (powerful) claimant, 2) they are relatively similar in size, power and economic potential (all considered medium-sized states), 3) they use clearly distinct settlement strategies, 4) they all have the option to use international law due to their ratification of the UNCLOS, and 5) as Southeast Asian states they all have a similar cultural heritage. By comparing these cases I expect to find evidence that shows a relation between the independent and dependent variables by excluding influences based on general culture, power or otherwise. In the literature review I already established that other factors such as regime type (democracy or not) did not explain these differences. All other important aspects being equal, we want to research what informed these states to behave as they did.

Case History

To understand the settlement strategies employed by states we need to grasp the chronology of these disputes. This section considers when the disputes started, how they evolved, and what has been done to resolve these disputes. Before we can analyse the effects of particular dependent variables, this section first needs to establish for example when the Philippines initiated its arbitration case. As such this section gives a birds-eye view of the development of the disputes before the analysis itself starts.

The Chinese "nine-dash-line" delineating Chinese claims over the South China Sea was first used in 1914 and was included by the PRC in all official maps since 1947 (Hong, 2013, p. 28). The Philippines submitted their first claim in 1946 to the United Nations (Hong, 2013, p. 29). Its claims for the Scarborough Shoal and part of the Spratlys are based on historical records, geography and *res nullius* ('nobody's property') (Emmers, 2010, p. 68; Hong, 2013, p. 29; Rowan, 2005, p. 421). Vietnam's historical claims are based on its heritage from the Nguyen dynasty and the French colonialists (Emmers, 2010, p. 67; Hong, 2013, p. 30). While Vietnamese Premier Pham Van Dong had previously acknowledged the Chinese claim in 1958 out of fear of provoking Beijing, reunification after the Vietnam War gave the Vietnamese the confidence to claim their original sovereignty over the area in 1975 (Hong, 2013, p. 30). Malaysia staked its claim to part of the Spratly Islands in 1979 based on the extent of its continental plate (Emmers, 2010, p. 69; Cheng-Chwee, 2008, p. 173; Rowan, 2005, p. 420).

For decades, these competing claims existed relatively peacefully. Despite overlapping, no real issues emerged until discoveries in the early 1970s suggested that the region may hold large amounts of oil and gas. The conflict-ridden situation we witness today came about after UNCLOS came into force in 1994 as it set a deadline for the submission of maritime claims (Hong, 2013, p. 30). In 1995 the PRC took control of the Mischief Reef, close to the Philippines, which was interpreted as a serious threat to national security by Manila and caused it to seek further military cooperation with the US (Hong, 2013, p. 34; International Crisis Group, 2012b, p. 6). In November 2002 there was finally agreement about steps to ease tensions. A non-binding Declaration of the Conduct of Parties (DOC) in the South China Sea was established between the PRC and ASEAN, which was only accepted because it made no references to sovereignty (Chien-Peng, 2007, p. 65). However it did express the desire by all states to resolve the disputes without the use or threat of force (DOC, 2002, Art. 4). The PRC officially submitted its claim in

2009, which received strong opposition from many of the other littoral states (Hong, 2013, p. 30). Several clashes between the involved states ensued in the following years despite the DOC. (Hong, 2013, p. 31; International Crisis Group, 2012a).

Under the leadership of PM Mahathir Malaysia reached a consensus with Beijing in rejecting "any form of outside interference or mediation" regarding their disputes (Chen-Chwee, 2008, p. 173; Liow, 2000, p. 689). On May 31 1999 both states signed a Joint Statement on Framework for Future Bilateral Cooperation and "agreed to promote the settlement of disputes through bilateral friendly consultations and negotiations" (Cheng-Chwee, 2008, p. 173). A month later Malaysia opposed the Philippines' request to discuss the dispute at the ASEAN Regional Forum (ARF) (Cheng-Chwee, 2008, p. 173). Since then Malaysia has continued to concur with the PRC that these disputes should be resolved bilaterally. Opposed to the other two states, Malaysia has actually openly criticized the US on several occasions for attempting to get involved with the South China Sea disputes (for example in 1999) (Liow, 2000, p. 689).

Vietnam had already started to look for mediation in the South China Sea by stronger states at that point (Vuving, 2014; Ravindran, 2012). In 2010, after continued confrontations and inability to settle their disputes through bilateral negotiations, Vietnam publicly stated their desire for help in settling these disputes:

> "Issues that relate to other countries and parties, like the Spratly Islands, cannot be settled by Vietnam and China; they require the participation of other concerned parties [...] Issues that are not only related to countries that border the East Sea, such as maritime safety and security, must be negotiated and settled by all countries that share this common interest" (Torode, & Chan, 2010).

However, after a special envoy was send to the PRC on June 2011, both sides stated their commitment to settle their disputes "through negotiation and friendly consultation" (Thayer, 2011b, p. 362). Nonetheless, internationalization by Vietnam continues through increased military cooperation with US and Japan, ASEAN engagement, and involvement of other international fora such as the UN, Asia-Pacific Economic Cooperation (APEC), and the East Asia Summit (EAS) (Vuving, 2014; Ravindran, 2012, Womack, 2006).

The Philippines has also called for involvement by the US, Japan, and ASEAN (Hong, 2013, p. 31). Although both Vietnam and the Philippines wanted to use ASEAN to debate the maritime disputes and come to a Code of Conduct, their efforts have been thwarted by other

Southeast Asian nations who enjoyed the support of Beijing such as Cambodia (Al Jazeera, 2012, July 13). A year later the Philippines started an arbitration case to settle its disputes with the PRC. On 22 January 2013, the Philippines served the PRC with a "Notification and Statement of Claim with respect to the dispute with China over the maritime jurisdiction of the Philippines in the West Philippine Sea" (PCA, 2013, 27 August). It has done so under Article 287 and Annex VII of UNLCOS (Yu, 2014, p. 1). On 19 February the PRC rejected the notification by the Philippines (PCA, 2013, 27 August). The PRC did not appoint an arbitrator as required under Article 3 of Annex VII (Yu, 2014, p. 1). Nonetheless, Article 9 of Annex VII of UNCLOS "provides for proceedings to continue if one of the parties of the dispute does not appear before the tribunal or fails to defend its case" (PCA, 2014, 17 December). As such the PCA has decided to continue its arbitration without any representation from the PRC. Vietnam has expressed support for Manila's case on December 2014 after the PRC reiterated its position (International Crisis Group, 2015). However, Vietnam has explicitly not joined the Philippines' case as Beijing had stressed this would cause a further divide between the two states (Parameswaran, 2014).

These descriptions have firmly established the evolution of the dispute for each side, the events that preceded their settlement strategy, and important interactions with the PRC that exemplified their attitude towards Beijing. This birds-eye view allows us to place the research for the three different hypothesis into perspective. As such we know that its particularly important to look at the years prior to 2013 as the Philippines introduced arbitration to the dispute on January 2013. Furthermore, this section has firmly established the different international dispute settlements used by all sides.

Economic Dependence

Globalization has increased economic integration throughout the world. The opening up of the Chinese economy in the 1990s sped up the process that linked the states surrounding the South China Sea together. As the biggest economy in the region, trade between the PRC and Southeast Asian countries has indeed increased tremendously over the last years. While in 1996 the total trade only constituted $20 billion, this quickly grew to a staggering amount of $100 billion in 2005 (Chien-Peng, 2007). However, the question remains how dependent the states under review

are on bilateral trade and foreign direct investment from the PRC. Moreover, can the different levels of dependency explain the distinct strategies employed by these states?

Data

Hypothesis 1 holds that states in an asymmetric relationship would be more likely to stick to negotiation, as they want to preserve their (economic) relationship with the stronger state. These states might fear that involving a third party to solve the dispute (through mediation or arbitration) upsets the other claimant in such a way that it would harm their economic links by reducing trade or lowering foreign direct investment (FDI). Malaysia is the only state that has refrained from using other methods (besides bilateral negotiation). Based on hypothesis 1 I expect Malaysia to have the biggest economic dependence towards the PRC. On a similar note, as the Philippines has opted for both mediation and arbitration, I expect the Philippines to be the least dependent on the PRC for its trade. Vietnam's dependence would be situated between that of Malaysia and the Philippines. To establish whether this is the case, I analyze bilateral trade, FDI and official development assistance (ODA). These numbers need to be placed in perspective by engaging with the trade-to-GDP-ratio, which is the sum of exports and imports divided by GDP (OECD Stat, 2014). Table 4 shows the latest available data on bilateral trade. As no data on trade was available for Vietnam past 2012, data was compared for that year. This fits my research purposes as Vietnam and the Philippines both attempted to initiate multilateral mediation in 2012 and the Philippines tried the PRC on January of 2013. The total dependence has been calculated by multiplying 'total trade share PRC' with 'trade-to-GDP ratio' to see how significant this share is in comparison to the overall GDP. Besides bilateral trade, we also need to look into the amount of foreign direct investment (FDI) that has been exchanged between the two countries (see table 5). Looking at the FDI-to-GDP ratio calculated by the World Bank allows me to consider how big these investments are relative to the states' general economic prosperity. The dependence on PRC stocks ('PRC stock to GDP') has been calculated by looking at the percentage that the stock from the PRC contributes as part of the state's GDP.

Table 4. Economic dependence disputants on PRC (2012)

Economic Dependence (2012)	Malaysia	Vietnam	The Philippines
Export total	$227.450 billion	$114.592 billion	$51.995 billion
Export PRC	$28.742 billion	$12.835 billion	$6.159 billion
Export share PRC	12.64 %	11.21 %	11.85%
Export share PRC to GDP	19.49 %	17.55 %	7.68 %
Import total	$196.197 billion	$113.780 billion	$65.349 billion
Import PRC	$29.723 billion	$29.034 billion	$7.136 billion
Import share PRC	15.15 %	25.52 %	10.92 %
Total trade	$423.647 billion	$228.372 billion	$117.344 billion
Total trade PRC	$58.465 billion	$41.869 billion	$13.295 billion
Total trade share PRC	13.80 %	18.33 %	11.33 %
GDP	$305.033 billion	$155.820 billion	$250.182 billion
Trade-to-GDP ratio	162.41 %	156.55 %	64.79 %
Total Trade Dependence	22.41 %	28.69 %	7.34 %

Source: WB WITS

Table 5. FDI exchange between PRC and disputants (2012)

FDI Exchange	Malaysia	Vietnam	The Philippines
GDP	$305.033 billion	$155.820 billion	$250.182 billion
Total stock	$151.039 billion	$73.31 billion*	$25.851 billion
Stock from PRC	$0.715 billion	$1.604 billion	$0.301 billion
Share from PRC	0.47 %	2.19 %	1.16 %
PRC stock to GDP	0.23 %	1.03 %	0.12%
Total inflow	$9.765 billion	$8.368 billion	$2.797 billion
Inflow from PRC	$0.068 billion	$0.190 billion	$0.000 billion
Share from PRC	0.7 %	2.27 %	0 %
FDI flow-to-GDP	3.2 %**	5.4 %**	1.3 %**

Source: UNCTAD FDI/TNC database, *CIA World Factbook, **WB data

Official development assistance (ODA) also adds to economic links between two countries and should definitely be considered in an analysis of economic dependence. However, Chinese developmental assistance is difficult to measure as Beijing organizes its programs almost on an ad-hoc basis and official data doesn't get published (Lum, 2009, p. 1). However, literature was able to provide some information on commitments from the PRC. One article stated for example that Beijing's commitment to the Philippines was 13% of total ODA commitments to that country in 2011 (Ravindran, 2012, p. 111). However, most of Chinese economic assistance is government-backed investments and grant-based development aid, which doesn't fall under the classical ODA definition (Lum, 2009, p. 1). When we look at the bigger picture, the Philippines were reported in 2008 to have received $5.4 billion mostly through loans and grants, while Vietnam received $3.4 billion through loans and investments (Lum, 2009, p. 16). The same report doesn't mention Malaysia as a major partner. Although these numbers seem to contradict our hypothesis, practice prohibits us from making an analysis due to a lack of consistent reporting on these indicators.

Background

A brief description of the background of these relations is important to consider as it allows us to put these figures into perspective and see what they mean to these states. Malaysia, for example, has valued the PRC as an important economic partner, which is reflected by the many high-level visits to their trade partner, accompanied by large delegations and the steady result of joint-venture projects (Cheng-Chwee, 2008, p. 172). Previous Prime Minister Mahathir accompanied seven of these delegations while he was in office and current PM Badawi also paid a major visit in 2004 (Cheng-Chwee, 2008, p. 172). Economic relations have increased exponentially over the last decades and have expanded thirty fold as trade rose from $2.4 billion in 1995 to $64.6 billion in 2013 (WB WITS, 2014; Cheng-Chwee, 2008, p. 172). As a result the PRC is currently Malaysia's biggest trading partner (WB WITS, 2014). The steady growth has been welcomed with open arms in Kuala Lumpur as it helped reduce its export volatility risks (Cheng-Chwee, 2008, p. 172).

The strong economic relationship between Vietnam and the PRC is built upon cheap Vietnamese labour and raw materials that the PRC uses to finish its intermediate products, and Vietnam consequently exporting these products to the United States and the European Union (Hong, 2013, p. 39). Vietnam in turn has used trade and FDI from the Chinese mainland to help

its country industrialize rapidly (Hong, 2013, p. 39). Historically, the economic ties between Vietnam and the PRC took off after their relations normalized during the 1990s (Thayer, 2011b, p. 353; Womack, 2006, p. 27). As a result we see that the PRC currently stands as the country's biggest trade partner. Major exports to China include natural rubber, coal and petroleum, while Vietnam mainly imports electrical and electronic equipment, machinery and industrial raw materials (Ravindran, 2012, p. 113). When we look closer at the balance between import and export however, we see that this relationship is mainly to the advantage of the bigger state. This trade surplus has been discussed at high-level summits over the last years, but neither side was able to present a viable solution. Vietnam can't deliver high quality products that would be able to compete on the Chinese market and a restriction on Chinese imports for Vietnam can't be expected to work either (Thayer, 2011b, p. 353). One solution mentioned increasing foreign direct investment, but Chinese investments in 2011 remain modest with $3 billion compared to the amount of investments coming from other states (Thayer, 2011b, p. 354). Nonetheless, the promotion of investment has geostrategic considerations for Hanoi. The development of the "two corridors and one economic beltway" that links northern Vietnam to southern PRC, similar to the promotion of trade, has been pursued by Vietnam to promote cooperation from Beijing while entangling the interests of both states (Thayer, 2011b, p. 354).

In general, most ASEAN states have the PRC as their biggest economic trade partner and largest foreign investor (Hong, 2013, p. 38). The lower involvement for the Philippines comes from their inability to profit from the economic liberalisation in the PRC during the 1980s due to political instability, an economic slump and disputes with Beijing over the South China Sea (Hong, 2013, p. 38). Moreover, the Philippines' business and economic leaders feared that economic competition from the PRC could harm several sectors of their economy, which further constrained its economic cooperation (Hong, 2013, p. 38). Currently major imports from the PRC are electronics, office machines, liquefied petroleum gas, and ceramic products, while major exports to the PRC are electrical products, copper cathodes, nickels ores, coal and copper ore (Ravindran, 2012, p. 111). Nonetheless, trade has grown rapidly after the turn of the century. At the time of the Mischief incident (1995) bilateral trade only was $874 million, but this amount grew throughout the years after tensions were eased to $2.7 billion in 2002 at the time the China-ASEAN free trade agreement was drafted) and to $12.6 billion in 2011 (Ravindran, 2012, p. 110). When we look at FDI the investments mainly come from the Philippines. Total Philippine

investments in the PRC in 2011 were $2.83 billion versus only $251 million that was invested in the Philippines from mainland China, most of which was invested in power, mines and manufacturing (Ravindran, 2012, p. 111). However, four more mining agreements have been signed that are expected to generate another $14 billion in investments from Chinese companies by 2016 (Ravindran, 2012, p. 111). Although FDI at this point remains rather slim, it is expected to grow rapidly over the coming years. Some articles have mentioned that the economic relationship with the PRC, particularly in regard to Beijing's FDI, remains very important to the Philippines in times of slow economic growth (Ravindran, 2012, p. 111).

Analysis

As was to be expected, all Southeast Asian states under review have relied heavily on the wave of economic growth and international integration that came from the PRC. We see in table 4 that in terms of export Malaysia was most dependent on interaction with the PRC. In absolute numbers, it had by far the most export towards its regional giant with $28.7 billion. Vietnam had less export in general, which was in line with its amount of $12.8 billion export towards the PRC. Philippines exported only half as much as Vietnam worldwide in 2012 and also only exported $6.2 billion towards the Chinese mainland. Even though Vietnam and the Philippines were slightly less dependent in terms of overall percentages in comparison to Malaysia (11.21% and 11.85% versus 12.64%), the PRC remained one of their largest export partner. Malaysia only other export partner that had a bigger share was Singapore with 13.6% (WB WITS, 2014). We already established that export was far less important in the relationship with the PRC for Vietnam than its import as Vietnam functioned as a location where cheap labour was used to finish Chinese products before it was exported. This was reflected in the fact that other states were more important for its export, as export to Japan had a share of 11.41% and export to the United States a share of 17.18% (WB WITS). The PRC was only the Philippines' third biggest trade export partner, as its export to Japan and the US consisted of 19% and 14.24% respectively (WB WITS, 2014).

The share that the PRC took in the import of these states was more significant than their export for both Malaysia (15.15%) and Vietnam (25.52%). Although the Philippines was slightly less dependent for its import on the PRC than for its export (10.92% versus 11.85%), all three states had a negative trade balance regarding the PRC (i.e. more import than export). The PRC

was indeed the biggest import partner for both Malaysia and Vietnam. The Philippines only imported more from the US, which had a share of 11.61% (WB WITS, 2014).

Malaysia held the biggest numbers looking at the total amount of trade with the PRC with numbers running up to $58.5 billion, while Vietnam and the Philippines traded $41.9 billion and $13.3 billion respectively. However, when we take into consideration these states' total amount of trade, we see that Malaysia has almost twice as much trade Vietnam ($423.4 billion versus $228.4 billion). As such the PRC only takes a share of 13.80% of Malaysia's overall trade, while Vietnam depends on the PRC for 18.33% and the Philippines only for 11.33%. When we also take into account that Malaysia and the Philippines GDP is much higher, we see that Vietnam is by far the most dependent on trade with the PRC with 28.69% versus Malaysia's 22.41% and the Philippines' mere 7.34%.

If we compare the amounts of FDI that comes from the PRC, we see that Vietnam by far holds the largest stock of Chinese investments and saw the largest flow of FDI from the PRC in 2012 (see table 5). The Philippines currently holds the least amount of FDI stock from the PRC by far with $0.3 billion versus Malaysia with $0.7 billion and Vietnam with $1.604 billion. This corresponds to the in the state of the literature expressed search for more FDI from Beijing to balance the trade deficit. When looking at the FDI flows we see that Vietnam has again received the most from the PRC. While the Philippines received close to no FDI in 2012, Vietnam and Malaysia received $190 million and $70 million respectively. The total flow of FDI that came to these two countries was similar in 2012 (Vietnam had $8.4 billion and Malaysia $9.8 billion), which maintains the notion that Vietnam was more dependent on FDI flows from the PRC (2.27%) than Malaysia (0.7%).

With this data we are able to assess whether relative economic dependence of these states relates to the decisions of these states to pursue negotiation, mediation or arbitration. We hypothesized that the Philippines would be the least dependent on the PRC, while Malaysia would be most economically dependent. One very important indicator does support the hypothesis in all cases: the share of export that goes to the PRC in relation the disputants GDP. Export can be considered to be particularly significant because it provides states with financial means rather than taking them away from the state by importing products. Looking at the rest of the data we indeed see that in terms of total bilateral trade, import as well as trade in relation to its GDP, the Philippines depends the least on the PRC. However, it should be noted that the

Philippines exports more to its opponent in the South China Sea disputes than Vietnam does. This is noteworthy because export contributes the most to the prosperity of a state. Nonetheless, when we look at the complete picture of trade with the PRC the Philippines is by far the least dependent (7.34% versus 22.41% and 28.69%). This is in line with hypothesis 1 as the Philippines has taken the most confrontational attitude towards solving its maritime disputes by asking for both mediation and arbitration. By being more dependent on the US and Japan, the Philippines doesn't have to tread as carefully as the other two countries under review. In terms of FDI flows in 2012, the Philippines received by far the least. The amount of FDI stocks held in 2012 coming from the PRC was also the least significant for the Philippines when compared to its GDP. FDI thus also seems to support the hypothesis when we compare the Philippines to the other two medium-sized states.

However, things become troublesome when we compare the cases of Malaysia and Vietnam. Comparing the two states on their overall trade dependence regarding the PRC we see that Vietnam is significantly more dependent than Malaysia with 18.33% against 13.80%. Looking at their trade-to-GDP ratio we see that both states rely heavily on international trade for their economic prosperity as opposed to the Philippines. Taking this into account we come to a dependency on the PRC of 28.69% for Vietnam against 22.41% for Malaysia. When we look at both FDI stocks and flows, Vietnam is again more dependent than Malaysia on the PRC for economic growth. The share of PRC in the total FDI stock that was present in 2012 in Vietnam was 2.19% as opposed to only 0.47% for Malaysia. When we relate this to the larger economy of Malaysia, we see that the difference remains just as significant with 0.23% for Malaysia versus 1.03% dependency for Vietnam. The share of FDI flows that originate from the PRC related to GDP of the receiving state results in a dependency of only 0.7% for Malaysia and 2.27% for Vietnam. Moreover, we see that FDI is more important to the Vietnamese economy than to the other two economies (5.4% for Vietnam to Malaysia's 3.2% and the Philippines' 1.3%). This leads us to conclude that Vietnam is significantly more dependent on Beijing in terms of FDI than the other two states.

It is important to note that the PRC's share in FDI is much less significant than it is in its trade relations. These Southeast Asian nations rely much more on FDI from developed countries as opposed to investments from the PRC. As such their dependency comes from the PRC incredibly large role in trade. Moreover, I established that the data available on official

development assistance coming from the PRC was incomplete and difficult to assess due to the ad-hoc basis of Beijing's ODA policy and lack of consistent reporting on its side. Therefore, ODA was unfortunately unable to contribute to an understanding of the economic relationships. The PRC's share in ODA is again less significant than its share in the trade relationship with the other disputants. ODA will most likely come from Western countries instead.

Moreover, we should also take notice of how each state perceives each economic relationship itself. Mutually beneficial trade over a longer period of time might have helped construct an identity for the PRC of a partner for economic growth and integration in the Southeast Asian region rather than a competitor in the global market (Hopf, 1998, p. 189). Especially when we look at the background of the relationship between Malaysia and the PRC we see that Kuala Lumpur sees their economic integration as something that can not only help Malaysia grow but also integrate the region. Vietnam also has a strong economic integration with the PRC. Although Vietnam's relationship with the PRC remains dominated by products from the PRC (twice as much import as export), they do benefit from their position as the middle man in trade between the PRC and the West. The Philippines on the other hand has remained watchful of complete integration with the PRC out of fear that the PRC will dominate domestic markets.

Hypothesis 2 is thus not supported by evidence from the case. Although the choice of arbitration is supported by the data, the rest does not. The Philippines is, as expected, indeed on all sides the least dependent on the PRC (total trade, export, FDI flows, FDI stocks). However, economic dependence is not a justified indicator for strategy when looking at the involvement of a third party (mediation and arbitration versus negotiation). Furthermore, the perception of these economic relations does hint at important underlying factors that will return when looking at the history of bilateral relations between the disputants and the PRC.

Occurrence of Violence

The assertive approach of the PRC in its maritime disputes in the East and South China Sea has grabbed the attention of news outlets and scholars alike. But which of the other disputants has had to endure the most force over the course of the dispute? And does this explain the different settlement strategies employed by these states? Hypothesis 2 holds that a higher frequency and intensity of violence during a dispute causes weaker states to reject the preferences from the

stronger state. As such we expect that the Philippines has had to endure the most from the PRC over the course of the dispute, while Malaysia has witnessed by far the least skirmishes with its opposing claimant. This section also reviews literature to establish how these states perceive the use of violence in respect to national security. Understanding how they assess the threat associated with this violence can help grasp the impact violence can have on their policies.

Data

The Correlates of War Database provides data on "militarized interstate disputes" which gives us an overview of the confrontations between 1990 and 2010. (Palmer, et al., forthcoming) The data on the use and threat of force in the South China Sea is presented in table 6.[3] This table contains information on different disputes in the region, their duration, the nature of the conflict and its intensity. Table 7 shows the data registered by the International Crisis Group in the CrisisWatch Database in the remaining period from 2010 to 2015 (International Crisis Group, 2015). However, this overview by CrisisWatch is not exhaustive, which causes us to turn to the literature to find more information about confrontations that took place.

Table 6. COW SCS Militarize Interstate Dispute (1990-2010)

	Disp-Num3	St-Year	End-Year	Out-come	Settle	Fatality	Max-Dur	Min-Dur	Hi-Act	Host-Lev	Ongo-2010
Malaysia	-	-	-	-	-	-	-	-	-	-	-
Vietnam	4029	1993	1993	5	3	0	31	1	7	3	0
	4030	1994	1994	5	3	0	123	63	15	4	0
	4328	1998	1998	5	3	0	30	1	7	3	0
	4446	2002	2002	5	3	0	6	6	7	3	0
	4464	2003	2003	5	3	0	1	1	16	4	0
	4488	2010	2010	5	3	0	198	198	15	4	1
Philippines	4027	1995	1995	5	3	0	133	103	15	4	0
	4028	1996	1997	5	3	0	297	267	15	4	0
	4128	1998	2000	6	1	0	578	520	15	4	0
	4329	1998	1998	5	3	0	31	1	7	3	0
	4279	2001	2001	5	3	0	31	1	7	3	0
	4448	2002	2002	-9	-9	0	185	185	15	4	0

Source: Palmer, et al. (Forthcoming)

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[3] See appendix A for an explanation of the variables used in table 6.

Table 7. CrisisWatch SCS Violence 2010-2015

	Date	Description
Malaysia	-	-
Vietnam	May 7 2014	"PRC uses water cannon against Vietnamese ships; ramming vessels."
	May 26 2014	"Vietnamese boat sank after colliding with Chinese vessel."
	July 3 2014	"13 Vietnamese fisherman deported on Chinese ship; Vietnamese vessel seized."
	July 15 2014	"6 Vietnamese fisherman detained by Chinese ship."
Philippines	June 4 2011	"The Philippines filed protests with Beijing over at least 7 "aggressive" acts since February, denied by PRC."
	April 8 2012	"Chinese ship charged with poaching ran aground on Tubbatahu reef."
	April 10 2012	"Standoff over disputed Scarborough Shoal [...] as Philippine military tried to detain Chinese fisherman."
	January 27 2014	"Chinese vessel uses water cannon on Filipino fishermen near disputed Scarborough Shoal."
	March 10 2014	"Chinese Coast Guard prevented 2 Philippine vessels from reaching disputed Second Thomas Shoal in South China Sea."

Source: International Crisis Group (2015)

Table 6 shows that both Vietnam and the Philippines encountered six prominent clashes with the PRC between 1990 and 2010. For Vietnam, these clashes centred around the disputed Spratly Islands. Half of the conflicts were considered a show of force. Furthermore, there were two seizures and one attack on Vietnam ships in 2003. The Philippines and China only

exchanged a show of force on two occasions, but ships were seized four times (twice as much as for Vietnam). In the case of Vietnam, half of the cases only centred around a display of force and the other half included actual force. For the Philippines, two thirds of the hostilities included the use of force. The amount of human casualties was the same in both relationships with the PRC. The duration of the militarized periods has been decisively more extensive for the Philippines than for Vietnam. On average the duration has been between 45 and 64.8 days for Vietnam, while the violent periods between the PRC and the Philippines have taken on average between 179.5 and 209.2 days. There were no violent encounters between Malaysia and the PRC throughout this period mentioned in the COW database.

When we look at Table 7 we see that the CrisisWatch Database doesn't mention any conflict relating to Vietnam before 2014. The database mentions the use of violence three times before 2013 for the Philippines. The Philippines claimed that "at least five other incidents occurred between Chinese and Filipino vessels before June 2011" (International Crisis Group, 2015; International Crisis Group, 2012, p. 6). One of the first incidents in 2011 took place in the Reed Bank, where Chinese surveillance forced their Philippine counterparts to leave the area (Ravindran, 2012, p. 112). The most significant conflict that occurred was the standoff between the Philippines and the PRC in the Scarborough Shoal on April 2012 when "Chinese government vessels blocked a Philippine naval ship from arresting Chinese fishermen accused of illegally harvesting coral and poaching sharks in the disputed waters" (Hong, 2013, p. 31; International Crisis Group, 2012a). Starting in 2014, the PRC used a water cannon against both states. Furthermore, in that year Vietnamese fisherman were deported twice and a Vietnamese vessel sunk once after collision with a Chinese vessel. In 2014 the database thus clearly reports more acclaimed open confrontations including Vietnam than the Philippines. However, this database is not exhaustive and fails to mention several confrontations relating to Vietnam. In order to make a complete analysis we should thus turn to the literature for a better overview of what events unfolded throughout the history of the dispute.

Looking at literature that describes the period of 2010 to 2014 we see several more mentions of violence occurring in the South China Sea. Vietnamese media reported that "China detained or impounded 33 Vietnamese fishing boats and 433 crew members in 2009" (Thayer, 2011b, p. 357). The year of 2010 saw more conflict between Vietnam and the PRC as in 2010 alone 6 more provocations by the latter were reported, mostly seizures of vessels (Thayer, 2011b,

p. 358). Moreover, we find that during the first quarter of 2010 "there were thirty cases when Chinese authorities seized Vietnamese fishing craft and detained more than 200 fishermen" (Thayer, 2011b, p. 357). During 2011, the PRC cut the cables of Petro Vietnam seismic survey vessels on two occasions (International Crisis Group, 2012, p. 6; Thayer, 2011a). On November 2012, Vietnamese seismic survey vessels were again harassed as Chinese fishing boats blocked and severed their cables near the Con Co Island, which is located in Vietnam's EEZ (Amer, 2014, p. 28). Throughout 2013, Vietnam claimed further "harassment of Vietnamese fishing boats, including an alleged shooting incident" (Amer, 2014, p. 28).

Analysis

Having established the occurrence of violence between PRC and the other disputants, an analysis of differences in quantity, intensity and perception is required. In particular the use of force before 2013 should be assessed in relation to the Philippines' decision to use arbitration on January 2013. Moreover, an analysis should review how these states interpreted these confrontations by looking at how these states perceive the threat posed by the PRC. This allows an analysis to take into account that the same amount of force has a different impact depending on the threat perceived by that state (Peoples, & Vaughan-William, 2010, p. 76; Williams, 2003).

Besides looking at the data provided, we also need to look at the perception of these threats. States can identify threats different based on their identity, relationship with the other party and may perceive the same skirmish as less or more threatening to their own interests or identity (Peoples, & Vaughan-William, 2010, p. 76; Williams, 2003; Hopf, 1998, p. 184). In particular the threat perception of the Philippines rose significantly after the PRC took control of the Mischief Reef in the 1990s (Hong, 2013, p. 34; International Crisis Group, 2012b, p. 6). This particular event caused it to see the PRC as constituting a sincere threat to national security, which is also why they started to rely more on the US from that period onwards (Hong, 2013, p. 34). Then incumbent Philippines President Ramos stated on October 1995 that "even if Beijing does not have the capability to expand beyond its borders, [the PRC] will inevitably be a political and military threat to Southeast Asia" (Hong, 2013, p. 34). The Philippines contemplated calling upon the 1951 Philippine-US Mutual Defense Treaty (MDT) in 2012 if it would come to armed conflict in the Spratlys, to which Washington responded with strong support (Hong, 2013, p. 34). While the Philippines increased its military cooperation with the US and Japan, some have argued that this could be seen as "soft hedging" rather than anything pointing at an actual arms

race or security dilemma (Gilley, 2011, p. 800). However, the statements made by the government reflect a fear that actions by the PRC challenge the survival of the state.

Vietnam has also attempted to approach the US for military cooperation to balance against the strong Chinese position. However, Vietnam has been less eager to do so because it fears Beijing's reaction (Hong, 2013, p. 35). Nonetheless, Hanoi signed its first military agreement with Washington since the Vietnam War in the end of 2011 and increased its military cooperation with Japan as well (Hong, 2013, p. 35/37). But even in approaching the United States for military cooperation Vietnam has been principally careful as it is concerned with Beijing's reaction (Thayer, 2012, 353). This can be explained by Vietnam's position that although incredibly important, these events do not pose such an imminent threat to national security or the survival of the state as such (as opposed to the interpretation made by the Philippines) (Hong, 2013, p. 35; International Crisis Group, 2012b; Thayer, 2012, p. 353).

These findings, in combination with the threat perception, support hypothesis 2. When looking at the violence itself as represented in table 6, table 7, and the literature, we see that both the intensity and length of militarized periods in the disputes have been similar for Vietnam and the Philippines in the period of 1990 to 2013. However, the complete absence of any violence between Malaysia and the PRC is very significant. This evidence suggests that the use of force leads states to look for alternative methods of dispute settlement. Both Vietnam and the Philippines were involved in a large amount of violent encounters in the past two decades. As both states confronted with violence have attempted to use mediation to settle their disputes, this finding partly supports hypothesis 2. This also confirms the theory expressed in the literature review (Shannon, 2009; Beardsley, & Greig, 2009; Hensel, 2008; Bercovitch, & Jackson, 2001). The evidence thus suggests that pressuring a state is counterproductive, as it causes them to seek help outside rather than accept the terms put in front of them. By engaging the Philippines and Vietnam militarily, the PRC could have pushed them to look for the help of outside mediators. If Beijing wanted to have its request for negotiation respected, it should have used its diplomatic instead of its military tools.

In order to confirm hypothesis 2 there should also be a significant distinction between Vietnam and the Philippines to account for the use of arbitration by the latter. Although there is no clear difference between Vietnam and the Philippines when only looking at the numbers, taking into account the importance of threat perception does show a significant distinction. The

occupation of the Mischief Reef and the interpretation of this event by the Philippines' government shows that the Philippines saw the exchange of force with the PRC as much more threatening. Even though they encountered similar amounts of violence in the South China Sea, the force used by the PRC had arguably more impact on the government of the Philippines because of their perception of the threat it formed. Although Vietnam saw the violence as threatening to national interests, it did not achieve the level that the Philippines accredited to actions coming from the PRC. As such the use of violence does relate to adoption of arbitration as a IDS method, if we take into account the perception of the state enduring these confrontations. As such the findings presented in this chapter support hypothesis 2, because it the occurrence violence is able to explain all the differences in the hierarchy of settlement strategies. If Vietnam changes its position on the PRC and starts identifying its action as a genuine threat to the existence of the state, we should see Vietnam step toward the PRC as well.

History of Diplomatic Relations

We have already reviewed the economic relations between the three Southeast Asian states and the PRC and touched upon their perception of the PRC as a threat. For hypothesis 3 the research should also include how decades of bilateral interaction between these states has shaped their diplomatic relationship today. Hypothesis 3 holds that a history of good and friendly bilateral relations makes states more likely to accept a more powerful state's request to settle the dispute using negotiation. As such the history of good diplomatic relations is expected to have an impact on the agreement between states on how to solve disputes. I anticipated that a longer period of mutual understanding and benevolent interaction might cause states to come to an agreement faster. Based on hypothesis 3, I expect that Malaysia will therefore have the best diplomatic relations with the PRC, while the Philippines will most likely have antagonized Beijing.

Malaysia

Contemporary diplomatic interaction between Kuala Lumpur and Beijing often reminds the world of the fact that Malaysia was the first Southeast Asian state to establish formal relations with the PRC over forty years ago (Cheng-Chwee, 2008, p. 167; Liow, 2000, p. 672). But relations between the two countries haven't always been particularly neighbourly. Since its independence in 1957 Malaysia remained very wary of the conflict raging in Vietnam and Laos

out of fear that the country would fall victim to the domino theory that rained throughout the Cold War (Singh, 2004, p. 4). According to this theory, more and more states would fall prey to Communism as the first states started to convert. More specifically, Malaysia saw the PRC as the biggest source of insecurity because of "the revolutionary nature of its domestic politics, tensions across the Taiwan Strait, China's attack on India in 1962, and by the fact that almost all of the insurgent movements in Southeast Asia, arguably the main organized threat to the governments in power, were pro-Beijing in orientation" (Singh, 2004, p. 4). It choice to rely on protection from great powers with the Anglo-Malaysian Defence Agreement (AMDA) in 1957, but chose to stay out of the way of superpower politics by foregoing the option of allying with the Southeast Asia Treaty Organization (SEATO) as it was part of Washington's containment strategy (Singh, 2004, p. 4). How real the threat of Asian Communism actually was has been thoroughly debated as the concept of "international communism" has long been rejected due to the clashes between the PRC, USSR and Vietnam (Singh, 2004, p. 5). Secondly, there was little evidence that either of the two countries (PRC or Vietnam) posed any real threat to Malaysia. The two communist states were hardly able to project their power over each other's border, let alone all the way to Malaysia with America's containment strategy working double shifts (Singh, 2004, p. 5). Instead, this animosity towards the PRC could have been constructed in order to create national unity from a classical 'us-them' dichotomy. In reality, this divide caused the large domestic Chinese population to oppose the Malaysian government (Singh, 2004, 5).

The withdrawal of American troops from Vietnam at the end of the 1960s as well as the withdrawal of British troops from Malaysia and Singapore effectively eliminated the Western military buffer. Malaysia's threat perception of Vietnam and the PRC rose which caused it to look for an alternative strategy to deal with these states (Singh, 2004, p. 6). At that point the AMDA was replaced with a looser defence framework, namely the Five Power Defence Arrangements (FDPA) (Singh, 2004, p. 6). Nonetheless, the future of power relations in Southeast Asia remained uncertain with the US reducing its presence and no signs of whether the PRC would continue to grow to take its place (Cheng-Chwee, 2008, p. 164). Their non-alignment philosophy then gave Malaysia the option to seek normalization of relations with Vietnam and the PRC while also enhancing regional cooperation through ASEAN (Singh, 2004, p. 7). As the Soviet Union empowered Vietnam through military cooperation, Malaysia sought to balance by moving towards the US, but eventually aligned with the PRC informally as it didn't

want to associate to much with any of the two superpowers (Cheng-Chwee, 2008, p. 167; Singh, 2004, p. 8). Malaysia's foreign policy could thus be summarized as a balancing act that tends to hold on to the PRC for stability. As such Malaysia was one of the first of the ASEAN nations to establish relations with the PRC when it established trade ties in 1972 and was the first to establish formal relations in 1974 (Cheng-Chwee, 2008, p. 167). However, until the late 1980s the PRC was still seen as an immense threat due to its support for the outlawed Communist Party of Malaya (CPM), its policy on Chinese migrants and its approach to the Spratly Islands (Cheng-Chwee, 2008, p. 172). These tense relations started to truly turn around after the end of the Cold War due to "dissolution of the CPM in 1989 [...], the growing salience of economic performance as a source of legitimacy for the ruling Barisan Nasional (BN) coalition, and [...] Prime Minister Mahathir Mohamad's foreign policy aspirations" (Cheng-Chwee, 2008, p. 172). Furthermore, its contemporary foreign policy towards the PRC comes from its geopolitical position after the end of the Cold War. Malaysia's foreign policy is based on two propositions: first of all "constructive engagement" through official statements that the PRC doesn't form a regional threat ensures that Beijing doesn't feel threatened itself by Malaysia while the two create shared interests through economic integration (Singh, 2004, p. 14). Secondly, the ASEAN Regional Forum (ARF), a forum to discuss security issues in the Asia-Pacific, includes other powerful states such as the US, Japan, Russia, UK, France, India and more, which helps balance against Chinese assertiveness (Singh, 2004, p. 14). Malaysia has actually been one of the more active states in ASEAN to involve the PRC in binding-engagement through the ASEAN Regional Forum (ARF) and the ASEAN-China dialogue (Cheng-Chwee, 2008, p. 168). As both states value economic progress over changing the status quo, Kuala Lumpur sees in Beijing a partner that can aid in creating closer cooperation among the East Asian economies (Cheng-Chwee, 2008, p. 174). However, on settling the disputes in the South China Sea it acts mainly bilaterally by accepting Beijing's request to solve their maritime disputes through negotiation as we have seen extensively when looking at the history of the South China Sea disputes (Cheng-Chwee, 2008, p. 173; Liow, 2000, p. 689). Moreover, Malaysia recognizes that allying against a PRC that doesn't pose a threat yet is a sure way to provoke Beijing and cause it to become a threat (Kirschner, 2010; Cheng-Chwee, 2008, p. 161). The close military cooperation with the US by many Southeast Asian states has already put Beijing on edge, and Kuala Lumpur has no desire to provoke it further (Simon, 2012; Cheng-Chwee, 2008). This "limited bandwagoning" behaviour

is reflected in its willingness to agree with Beijing's core interests such as the "One China" policy (Cheng-Chwee, 2008, p. 169). Moreover, Kuala Lumpur acknowledges the PRC as partner in reaching foreign policy goals in other fields such as "human rights, [advancing] the cause of the developing world and opposing [...] the US-dominated international order" (Chwee, 2008, p. 175; Liow, 2000, p. 684). This particular relationship is maintained by the PRC which also holds Malaysia in high regard (International Crisis Group, 2012b, p. 10). As such Malaysia has set aside some of its prior reservations to cooperate with the PRC for increased economic growth, economic integration between Southeast Asian states and has found itself a partner in many international fora by maintaining the status quo. This position is best reflected in a statement made by Prime Minister Abdullah in 2004 when he said:

> "Malaysia's China policy has been a triumph of good diplomacy and good sense. […] I believe that we blazed a trail for others to follow. Our China policy showed that if you can look beyond your fears and inadequacies, and can think and act from principled positions, rewards will follow" (Cheng-Chwee, 2008, p. 175).

Vietnam

Throughout history, the bilateral relationship between the two countries has been one of structural asymmetry (Thayer, 2011b; Womack, 2006). Like the three other disputants represented in this thesis, Vietnam would only be considered a middle-sized Chinese province with its population of 89 million (Thayer, 2011b, p. 349). Relations didn't start of well, as the two states fought a war in 1979 and had skirmishes over the South China Sea in 1974 and 1988, the first of which resulted in the PRC taking over that part of the Paracel Islands that previously belonged to the Republic of Vietnam (Ravindran, 2012, p. 112; International Crisis Group, 2012b, p. 3). The conflict in Cambodia during the 1980s also created a "hostile asymmetry" between the two countries, which ended in a stalemate when neither side could triumph over the other (Womack, 2006). Tensions rose during the 1990s as Vietnam and the PRC accused each other of selling illegal drilling contracts in the disputed areas (Chien-Peng, 2007, p. 64). Nonetheless, efforts were made to normalize relations as well during the 1990s in order to finally cease hostilities and increase economic cooperation (Womack, 2006, p. 214-215). In 1999 the two states agreed on a boundary settlement and agreed on a maritime settlement of the Gulf of Tonkin a year later (Ravindran, 2012, p. 112; Womack, 2006, p. 227). This created expectations on both sides as "the stronger expects deference, while the weaker expects that its autonomy will

be acknowledged" (Thayer, 2011b, p. 349). In March 1999 both states made steps to improve relations at a summit meeting of the Chinese Communist Party (CCP) and the Vietnam Communist Party, where they adopted a guideline for "long-term, stable, future-orientated, good-neighbourly and all-round cooperative relations" (Thayer, 2011b, p. 350). Although their Communist backgrounds had previously played a role in confrontations (in particular about Cambodia), the two states finally managed to use their shared ideals as a way to mature relations between them (Ravindran, 2012, p. 112). This was facilitated by the Chinese developed notion of "socialist internationalism", which signified that each socialist state could pursue its own interest (Womack, 2006, p. 214) Their increased cooperation started to pay off a decade later as their bilateral relation was first upgraded to 'strategic partnership' and later to a 'strategic cooperative partnership' following another summit meeting in June 2008 (Thayer, 2011b, p. 350). Their shared socialist ideology has aided these processes due to the organization of such annual bilateral meetings, including "the exchange of Central Committee Departments, administrative units, and specialists on socialist on socialist ideology [including an inauguration of] an annual series of seminars on party ideology in 2005" (Thayer, 2011b, p. 351). On an ideological level, the two states fundamentally resonate as Vietnam and the PRC are the two largest Communist countries and are both slowly trying to open up their economies (Womack, 2006, p. 253). Vietnam's ideology and economic system has borrowed a lot of aspects over the years making the PRC one of the most influential states in Hanoi, taking over terms like "peace, cooperation and development" and "the threat of peaceful evolution" (Thayer, 2011b, p. 353). As such ideological cooperation helped create good bilateral relations between states that had previously let certain aspects of (strong) disagreement cloud their entire relationship (International Crisis Group, 2012b, p. 3). This is reflected in the statement made by the VCP Central Committee in 1992, when it said that "political adversaries could both cooperate and struggle (*hop tac va dau tranh)* while maintaining relations of peaceful coexistence" (Thayer, 2011b, p. 351). In 2003 they repeated this philosophy of having relations with other states with both "concepts *doi tac* (object of cooperation) and *doi tuong* (object of struggle)" (Thayer, 2011b, p. 351). This gives Vietnam the discourse to stand up to China in the South China Sea while promoting shared interests in other fields, e.g. bilateral trade.

Vietnam's contemporary foreign policy towards the PRC employs three different strategies to structure interaction and make its neighbour's actions more predictable. First of all,

Hanoi attempts to promote and codify good neighbourly relations through party, state and military meetings with Beijing (Thayer, 2011b, p. 351). The agreements and treaties that are developed in the process allow the state to isolate issues that could create tension from particular fields and prevent them from spilling over into areas that are going well. As such their diplomatic strategy has focused on emphasizing shared interests such as securing their land border to improve trade in that area (Thayer, 2011b, p. 352). Secondly, Vietnam's strategy includes the incorporation of multilateral fora to further bind the PRC. Regional institutions such as "ASEAN, the ASEAN Regional Forum, ASEAN Plus Three, ASEAN Defence Ministers Meeting-Plus (ADMM-Plus) and the East Asia Summit" have allowed Vietnam to do just that, while it has used the ASEAN-China Joint Working Group to push for the earlier discussed 2002 Declaration on Conduct of Parties in the South China Sea (DOC) (Thayer, 2011b, p. 352). Thirdly, in order to deter the PRC from using force Vietnam has initiated military contracts with third parties (e.g. the US, Japan, Russia) to increase its military capabilities (Thayer, 2011b, p. 352).

Vietnam still holds a nationalistic narrative that is antagonistic towards the PRC (Ravindran, 2012, p. 108). Widespread distrust towards the PRC has remained vibrant throughout Vietnam and settlements (even those in 1999/2000) have been heavily criticized (International Crisis Group, 2012b, p. 4; Ravindran, 2012, p. 112). Nationalist protests frequently turn violent towards Chinese companies and ethnically Chinese are often hospitalized, or in smaller numbers sometimes even killed (Tofani, 2014). This fervour has also transformed into a certain level of distrust toward the VCP which has increased the political costs for the party (Ravindran, 2012, p. 112). Giving any ground to the PRC in the South China Sea disputes has therefore been incredibly hard to sell domestically.

Although nationalism creates a strong negative public opinion towards the PRC, the government has done its best not to antagonize or upset the PRC in recent years. This diligence is reflected in the 2009 Defence White paper by Vietnam, which omits any mention of the 1979 border war with the PRC precisely not to agitate their northern neighbour (Thayer, 2011b, p. 353). A similar attitude can be attributed to the slow pace at with Vietnam is increasing its military cooperation with the United States and other countries (Thayer, 2011b, p. 353). The close ties between the ruling political parties in the two countries, the many high level meeting, and the shared discourse all contribute to maintaining good relations. The economic relation

between the two states also holds incredibly importance to Vietnam. As such, Vietnam maintains a close balancing act in its foreign policy towards the PRC where it tries to promote its national interests while emphasizing the shared interests it has with its influential political and economic partner.

The Philippines

Manila and Beijing established diplomatic relations in 1975 and steadily expanded their cooperation since then (Ravindran, 2012, p. 110). Relations quickly deteriorated with the Chinese occupation of Mischief Reef (Hong, 2013, p. 34; International Crisis Group, 2012b, p. 6). In 1995 Beijing showed itself open to settle the dispute using international law. Relations improved under President Gloria Arroyo (in office 2001-2010) when both states opted to establish a "strategic and cooperative relationship for peace and development" while referring to a "golden age of partnership" (Ravindran, 2012, p. 110). When President Benigno Aquino III took office in 2010 the Philippines took a less accommodating stance towards the PRC and its actions in the South China Sea (Ravindran, 2012, p. 112). The Philippines has made a clear statement by starting to refer to the South China Sea as the "West Philippine Sea" from 2011 onwards (Ravindran, 2012, p. 112). A renewal of confrontations between the two states took place in the following years as my analysis of the Scarborough Shoal incident in 2012 already showed. The introduction of arbitration into the dispute by the Philippines on January 2013 further strained the relationship between the two states. Nonetheless, the Philippines maintains its position that arbitration is the only way forward to secure what they claim is legitimately theirs. Philippine Foreign Secretary Albert del Rosia stated that "[i]t is about defending what is legitimately ours... it is about guaranteeing freedom of navigation for all nations, [and this case will help] preserve regional peace, security and stability" (BBC News, 2014, March 31). In turn, the PRC continues to point at the disastrous effects these efforts have on their bilateral relations. Chinese Foreign Ministry spokesman Hong Lei repeated the PRC's position and that "the Philippines should stop going any further down the wrong track so as to avoid further damage to bilateral relations". (BBC News, 2014, March 31). These actions have however inspired Vietnam to consider the use of arbitration as well and has lowered the threshold for other states in the region to use international law. (Dien, 2014) The Philippines have made a deliberate step and accepted condemnation by the PRC.

Southeast Asian Public Opinion

In order to better grasp how these relationships are constructed we can also to identify how their citizens perceive the PRC's identity. Beijing has stressed peace and development as its core goals since the 1990s with its "peaceful rise" policy (Chan, 2014, p. 267; He, & Feng, 2014). However, the questions remains how citizens in the disputing states interpret Chinese manoeuvres in the South China Sea and whether this reflects their government's foreign policy. The literature already showed that the Philippines has expressed the most concern about Beijing's assertiveness, while anti-Chinese sentiments and nationalist fervour loom large in Vietnam. These findings are reflected in the surveys conducted by the Pew Research centre, which noted that citizens of the Philippines and Vietnam identified the US as their biggest ally and the PRC as their nation's biggest threat, while Malaysians believed their situation was the opposite (see figure 1) (Pew, 2014a, p. 10).


Figure 1. Survey Greatest Perceived Threat (Source: Pew Research Center)

When citizens of these countries were asked whether they had a favourable or unfavourable view of the PRC, Malaysia resulted in 74% favourable, while the Philippines and Vietnam only believed 38% and 16% respectively in 2014 (Gilley, 2014; Chan, 2014; Pew Research Center,

2014). In a survey asking whether the PRC will replace the US as a superpower, Malaysians answered yes with 38% and no with 29% (Pew, 2014, p. 26). The survey also looked at how much countries where concerned that the PRC's border disputes with its neighbours would lead to military conflict (see figure 2). Malaysia was 66% concerned, and 19% wasn't concerned and Vietnam was 84% concerned while 12% of those surveyed was not concerned (Pew Research Center, 2014, p. 9). In the Philippines, 93% was concerned, while only 6% didn't think it would come to conflict (Pew Research Center, 2014, p. 9). It should be noted that these surveys are only carried out by one institute on a sample of 800 people per state. Even though this creates a one-sided picture, it does grand us some insight into the public opinion present in these states when combined with the discussed literature.
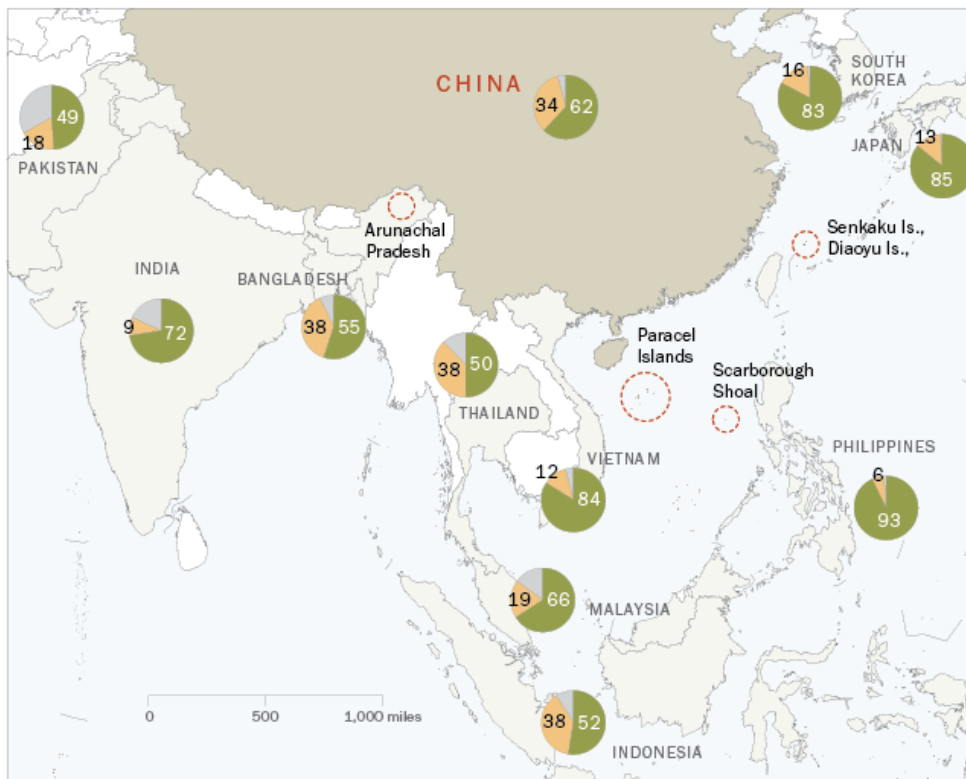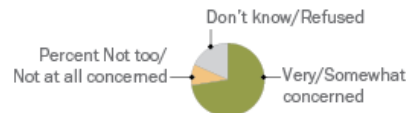
Figure 2. Survey PRC Border Disputes and Military Conflict (Source: Pew Research Center)

Analysis

There are thus creates three distinct relationships between the medium sized states and the PRC. Malaysia and Vietnam both attempted to normalize their relationship in order to profit from the fast growing Chinese economy, but with different results. Malaysia managed to put aside its fear for the PRC because of geopolitical motivations. During the Cold War, Malaysia wanted to prevent open alignment with either the USSR or the United States. After the Cold War other inhibitions such as Beijing's involvement with the outlawed Communistic opposition were also alleviated. Under PM Mahathir, Malaysia placed more emphasis on its economic interests than on its earlier reservations (Chen-Chwee, 2008, p. 173; Liow, 2000, p. 689). Fully accepting Beijing's assertive approach for over two decades Malaysia, the two states have become partners in several international fora. One example is their shared opposition to Western pressure on human rights. At the same time the PRC and Malaysia have combined their efforts to promote regional (economic) integration. This cooperation has led Malaysia to conform with important aspects of Beijing's foreign policy such as its "One China" policy and, at the least, maintaining the status quo in the South China Sea. The latter has been facilitated by the moderate stance from the PRC on their disputes with Kuala Lumpur, which has made it easier for the two states to maintain their positions (International Crisis Group, 2012b, p. 2).

Vietnam has also attempted to normalize its relations with its neighbour, but has not been as successful as Malaysia due to historical grievances, fear of national interests and nationalists antagonizing the PRC. Vietnam's clashes with Beijing in the 1970s and 1980s have left their mark on Vietnamese identity and has created feelings of exploitation and humiliation among its population (Ravindran, 2012, p. 112; International Crisis Group, 2012b, p. 3; Womack, 2006). Nonetheless, both governments were able to overcome odds at a government and party level due to shared economic and idealistic interests. Settling their land border dispute in the late 1990s allowed both states to pursue fast economic integration, which generated great benefits for Vietnam already shown during the assessment of economic dependence. The CCP and CVP have been able to facilitate this bilateral normalization through consistent collaboration and exchange of ideological ideals (Thayer, 2011b, p. 350). However, we have seen that the continued skirmishes in the South China Sea have increased tensions exponentially however. Because sovereignty over the South China Sea has been identified as a major national interest, these confrontations have been identified as a major threat. At the same time they have reignited

nationalist fervour, resulting in more frequent nationalist protests affecting huge amounts of Han Chinese living in Vietnam (Tofani, 2014; Ravindran, 2012, p. 108; Thayer, 2011, p. 363). The fact that Vietnam has found many ways to cooperate with the PRC (economically, party politics, militarily) has mitigated some of these perceptions however, preventing it to see the PRC's actions to be as threatening to national security as the Philippines defined it. Their previous ability to compartmentalize these contentious topics in the past has allowed it to mitigate this threat before, but nationalism fed by historical grievances and continued skirmishes have made it impossible to take the same attitude to Beijing as Malaysia.

Relations between the Philippines and the PRC have never been able to fully flourish due to early contentions over the South China Sea. Moreover, lack of shared ideological background or international norms didn't give it the option to normalize their relations as much as the other disputants. Vietnam and the PRC were able to use their Communist heritage to facilitate regular mutual exchanges between their Communist parties. Malaysia on the other hand found a partner to promote shared norms on different international fora because both states opposed the diffusion of Western norms on human rights and increasing economic integration within Southeast Asia. The Philippines and the PRC also failed to integrate due to the economic and business elite's reservations (Hong, 2013, p. 38). Moreover, maintaining the status quo was significantly harder for Vietnam and the Philippines as violent skirmishes formed a major contention to their national security. The occupation by the PRC of the Mischief Reef in the 1995 already put major pressure on the Philippines' diplomatic relations (Hong, 2013, p. 34; International Crisis Group, 2012b, p. 6). Without the shared norms or strong economic integration facilitating means of improving bilateral debate, relations between the PRC and the Philippines were unable to mature as they did with the other states. Skirmishes since the occupation of Mischief Reef, already considered a threat to national security, were thus not mitigated by previously build up channels.

Historical relations have been strongly influenced by the economic interaction and the occurrence of violence evaluated in previous chapters. Furthermore, shared norms and diplomatic interaction enabled us to make a comprehensive analysis that incorporates multiple factors influencing the relationship between these states. Analysis of economic relations showed that larger amounts of trade relations signified shared interest in economic integration and growth. Malaysia's and Vietnam's desire to bind the PRC to its own national interests was equally important for the promotion of economic integration. In turn, these connections

facilitated bilateral trust and confidence building. The use of force by the PRC, when dealing with Vietnam and the Philippines, made it incredibly difficult to promote this integration. Particularly for the Philippines, the occurrence of violence deteriorated a relationship that was never able to fully develop. However, most important was the proof that shared norms play an incremental role in understanding the disputants' foreign policy. Their shared ideology significantly helped Vietnam advance its cooperation with the PRC by setting up party communications, which in turn changed the threat perception of the violence that took place afterwards. Malaysia and the PRC shared international ideas of regional integration and identity which also helped identify each other as a economic and political partner.

The historical relations constructed through the analysis above support hypothesis 3. It holds that middle-sized states which experienced better diplomatic interaction over previous decades are more likely to accept the preferences of their more powerful opponent. Malaysia had the most intensive cooperation with the PRC over the past years for a variety of reasons (e.g. geopolitical, economic, shared norms). Further, Malaysia already accepted Beijing's request to solve these disputes bilaterally in the 1990s. Their continued cooperation and partnership helped maintain their disposition towards each other while the disputes reignited throughout the South China Sea after 2009. The lack of a constructive relationship between the PRC and the Philippines can also explain why the former took a stronger stance than the other two states. Although bilateral trade was important to the Philippines, its historical hostility towards the PRC had prohibited its trade with the PRC from reaching the same level as witnessed in other Southeast Asian states. Lack of economic cooperation in turn prevented the two states from cooperating on other topics as well. This aligns with hypothesis 3 which argued that states are more likely to reject the stronger state's preference for negotiation if it lacks inhibitions from decades of mutually beneficial interaction. Finally, the relationship between Vietnam and the PRC also supports hypothesis 3, because the two capitals had more interaction and thus more consideration than the Philippines, but more hostility than the significantly more cooperative Malaysia. Again, this can't be explained by only looking at their economic cooperation or the occurrence of violence. Looking at the diplomatic interaction between Vietnam and the PRC we see an significant amount of bilateral exchanges due to a shared ideology and shared goal of economic integration. However, a simultaneous history of geopolitical opposition and nationalist hostility explains why Vietnam has gone beyond merely using bilateral negotiation.

Conclusion

The PRC's assertive attitude towards the South China Sea has impacted the settlement strategies employed by its opposing disputants in different ways. The economic data and additional literature showed that economic dependence cannot explain why these middle-sized states opted for different IDS methods. The evidence thus didn't support hypothesis 1, which held that weaker states in a asymmetrical relationship base their settlement strategy on their economic dependence. While Vietnam was most economically dependent on the PRC, it took more liberty in opposing Beijing in terms of settlement strategy employed than the slightly less dependent state Malaysia. The data did gave an important insight into the overall relationship between the PRC and its disputants. Furthermore, the economic independence of the Philippines suggests that future research should look closely at the relation between economic independence and the use of arbitration.

The occurrence of violence did relate into the settlement strategies employed. The frequency, intensity, and perception of violence support hypothesis 2 and confirms the theory that more violence causes states to invoke the help of a third party in the settlement of their disputes with a more powerful opponent. When looking at how these states perceived the threat coming from the PRC, there was a particularly clear relation to the use of arbitration. The Philippines had made the assessment that Beijing's actions projected a danger to the survival of the state, which related to its status as the only state that used arbitration to settle its disputes. The positions of Malaysia, Vietnam, and the Philippines therefore all related to the levels of violence they had experienced during the duration of the disputes.

The analysis of the historical diplomatic relations between the three disputants and the PRC also showed a clear relation to the settlement strategies employed by the three states. As such the South China Sea case supported hypothesis 3 and showed that better historical relations related to agreement that disputes should be resolved through bilateral negotiations. Malaysia rejected any involvement from a third party and was indeed the state that had built up the most friendly and constructive bilateral relationship with the PRC. Vietnam also maintained a cooperative attitude towards the PRC, but at the same time held strong reservations due to continued violence and a history of antagonizing Beijing. This conforms to the fact that Vietnam had sought the aid of a third party, but has still rejected the option to use international arbitration to settle disputes with its neighbour. As expected, the Philippines was the state which had

encountered the most resistance in creating neighbourly diplomatic relations over the years and was indeed the only state to use both mediation and arbitration.

There are certain limitations that had to be taken into account for this thesis as well as new opportunities that have presented themselves. I have chosen to focus on the discipline of international relations and forego some of the implications domestic political structures or institutions have on the foreign policy of states. As such the governmental structure, domestic legal framework or the interaction between different domestic parties has not been taken into account for this particular study. Some of the evidence was also particularly hard to measure. Although the literature used to analyse historical relations was able to provide a good insight into the relative level of each relationship, larger studies should attempt to create a more coherent assessment. Future research could work on a framework that has a more coherent approach to these relationships and thus allows for an analysis on a far larger scale. Additionally, a closer evaluation of the economic links between the different states can enhance the strength of the argumentation on economic dependence, by calculating the actual costs of deteriorating economic relations and the difficulty these states encounter in finding alternative trade partners or additional investors. Besides a more comprehensive quantification of the violence used in these disputes, there could also be looked at the use of alternative means of pressure. The PRC has become infamous for its creation of artificial islands in the South China Sea (Wingfield-Hayes, R., 2014; Hellman, 2014). Future academic research should take into account the additional pressure that these alternative methods bring about. Finally, the legality of the different claims can also influence a state's decision to use arbitration. If a state doesn't feel confident that it will win because it doubts the legitimacy of its claim, a state will be much less likely to accept arbitration. Although this was beyond the scope of this paper, new studies should try to take into account the influence this can have on states' decision to initiate or reject international arbitration.

The outcomes provided by this thesis hold relevance to other cases of maritime disputes and for international relations at large. Support found for a relation between the use of force and the adoption of further reaching settlement strategies should cause policy makers to think twice before using force to push for an agreement on their terms. Moreover, decades of positive diplomatic exchanges give insight in how states might respond to maritime disputes. Finally, one shouldn't rely on economic dependence to argue that states will refrain from involving a third

party in the dispute. These findings can help us understand other maritime disputes that remain beyond the South China Sea. This research could grant insight into the motivations behind settlement strategies in other maritime disputes between smaller and more powerful states: between Bangladesh, Burma, and India, or Guyana, Barbados, Trinidad and Tobago, and Venezuela. Other academics should feel inspired and see whether these findings hold for other disputes as well. Above all, this thesis has given us a closer look on the effect diplomatic relations have on the decision to use negotiation, mediation or arbitration. As such it shines a new light on the events that have unfolded in the South China Sea. Time will tell whether Malaysia, Vietnam, and the Philippines continue to promote their preferred settlement methods or that the use of force causes them to change their strategy. The question remains, can their historical relations withstand increased assertiveness by the PRC or will they break under its pressure.

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Cover picture

Mercil, D. (2010) *USS Nimitz, USS Chosin, USS Sampson, and USS Pinkney in South China Sea* [photograph]. Official U.S. Navy Page, Flickr. Retrieved on January 21, 2015, from https://www.flickr.com/photos/usnavy/5506117357/in/photolist-c3n5EA-nYhhN3-71aHhK-71eGQm-eWzeQa-eo4Gyp-gXNdtE-dkcVch-cbCMSJ-84JkWH-np6GcC-aRcBgM-71eGWq-dV2W3d-eRxeog-oTAEeQ-gUJbcn-aQNF24-9ks7R4-fMhbC-9oyhRT-nfZiWH-pL63Wb-om6gUN-oeUEGd-eo3Eiv-aRcBct-eRJvNo-bWc6CQ-9u4an7-dUjpmu-pFK493-cv7A8U-gRvXB2-bVCSCC-aRbenV-cuxJpC-bcckBc-9oyLAa-e7MPf2-ctTi3S-aRCvLt-nSQEiN-c9jmg7-pG51pF-g9iPtS-aUNw8t-abN8MK-dV2VVG-9aj21T/

Appendix A. Correlates of War Data Terminology

Palmer, G., D'Orazio, V., Kenwick, M, & Lane, M. (Forthcoming) "The MID4.01 Data Set, 2002-2010: Procedures, Coding Rules and Description." *Conflict Management and Peace Science.*

Variables in MIDA_4.0.csv file
One record per dispute

Variable Number	Variable Name	Variable Description
1	DispNum3	Dispute number (Version 3)
2	DispNum4	Dispute number (Version 4)
3	StDay	Start day of dispute (-9 = missing)
4	StMon	Start month of dispute
5	StYear	Start year of dispute
6	EndDay	End day of dispute (-9 = missing)
7	EndMon	End month of dispute
8	EndYear	End year of dispute
9	Outcome	Outcome of dispute:
		1 Victory for side A
		2 Victory for side B
		3 Yield by side A
		4 Yield by side B
		5 Stalemate
		6 Compromise
		7 Released
		8 Unclear
		9 Joins ongoing war
		-9 Missing
10	Settle	Settlement of dispute:
		1 Negotiated
		2 Imposed
		3 None
		4 Unclear
		-9 Missing
11	Fatality	Fatality level of dispute:
		0 None
		1 1-25 deaths
		2 26-100 deaths
		3 101-250 deaths
		4 251-500 deaths
		5 501-999 deaths
		6 > 999 deaths
		-9 Missing
12	FatalPre	Precise Fatalities, if known (-9 = missing)
13	MaxDur	Maximum duration of dispute
14	MinDur	Minimum duration of dispute
15	HiAct	Highest action in dispute [bracketed numbers refer to corresponding hostility level]:
		0 No militarized action [1]
		1 Threat to use force [2]

		2 Threat to blockade [2]
		3 Threat to occupy territory [2]
		4 Threat to declare war [2]
		5 Threat to use CBR weapons [2]
		6 Threat to join war
		7 Show of force [3]
		8 Alert [3]
		9 Nuclear alert [3]
		10 Mobilization [3]
		11 Fortify border [3]
		12 Border violation [3]
		13 Blockade [4]
		14 Occupation of territory [4]
		15 Seizure [4]
		16 Attack [4]
		17 Clash [4]
		18 Declaration of war [4]
		19 Use of CBR weapons [4]
		20 Begin interstate war [5]
		21 Join interstate war [5]
		-9 Missing [-9]
16	HostLev	Hostility level of dispute
		1 No militarized action
		2 Threat to use force
		3 Display of force
		4 Use of force
		5 War
17	Recip	Reciprocated dispute? (1 = yes, 0 = no)
18	NumA	Number of states on side A
19	NumB	Number of states on side B
20	Link1	Links to other disputes/wars #1 (contains dispute number [variable "DispNum"] of other dispute; links to war indicated by code "W" e.g. "167W" is link to war number 167)
21	Link2	Links to other disputes/wars #2
22	Link3	Links to other disputes/wars #3
23	Ongo2010	Ongoing after 2010?
		0 = concluded before 6/30/2010
		1=continuing as of 6/30/2010
24	Version	Version number of data set