This article examines the development of Sino-Philippine territorial disputes in the South China Sea during 1995-98. China’s occupation of Mischief Reef in 1995 was part of a dual strategy of negotiation and occupation, influenced by domestic political factors. The weakness of the Philippine armed forces provided the People’s Republic of China with an opportunity to extend its claims in the South China Sea, avoiding the possibility of military confrontation. The Philippines has pursued diplomacy to resolve the disputes, employing both bilateral and multilateral negotiations. Whilst these negotiations have met with some success, the primary issues remain unresolved. In its dispute with the PRC, the Philippines received unprecedented support from ASEAN, which viewed China’s actions as
damaging to regional stability. The United States provided very limited support to the Philippines as its vital national interests were not affected.

**Introduction**

The unresolved territorial disputes between the People's Republic of China (PRC) and the Philippines in the South China Sea have highlighted emerging trends and raised important issues pertaining to the security and stability of Southeast Asia. The disputes have not only had a significant impact on the shape of Sino-Philippine relations, but also underlined the important roles played by the Association of Southeast Asian Nations (ASEAN) and the United States in maintaining regional stability. This article identifies and addresses the salient issues raised by the disputes.[1] Firstly, the events of 1995-98 reinforce the notion that China is gradually expanding its presence in the South China Sea and concurrently indicating a willingness to settle the issue diplomatically. Secondly, the lack of a credible defence force has required the Philippines to negotiate with the PRC from a position of weakness, resulting in little concrete progress. Thirdly, during the dispute ASEAN was willing to take a united stand on the issue and indirectly rebuke China. The United States, on the other hand, was unwilling to commit itself to helping the Philippines militarily for fear of damaging its relations with the PRC.

**Background**

The territorial dispute between China and the Philippines centres around the ownership of about fifty small islands and reefs in the Spratly group in the South China Sea. The Spratly archipelago comprises more than 230 rock formations of varying sizes, the sovereignty of which is disputed by six parties -- China, Taiwan, Vietnam, Malaysia, the Philippines, and Brunei. Three of the disputants (China, Taiwan and Vietnam) claim the entire chain, two (Malaysia and the Philippines) claim only certain parts of the group, whilst Brunei disputes a small part of the territorial waters. The fifty islands claimed by the Philippines are located 230 nautical miles west of Palawan island, and are known to Filipinos as the Kalayaans, a term which will be used throughout this article to distinguish them from the Spratly group as a whole. Sovereignty over the islands is important to the disputants not because of their intrinsic value, but because of the maritime resources which ownership would provide -- such as valuable fishing grounds and, as yet, unproven quantities of hydrocarbons (oil and gas).[2]

China bases its claims in the South China Sea (including the Kalayaans) on the grounds of discovery and occupation going back 2,000 years. The PRC demonstrates its claim by reference to maps drawn up during the Han Dynasty (206 BC to AD 220) which purportedly show the Spratlys as part of its
territory, and historical artifacts found on the islands indicating the presence of Chinese fishermen. The Philippine claim is much more recent. In 1956 Filipino national Thomas Cloma laid claim to the Kalayaans, declaring the islands res nullius as Japan had been forced to renounce their ownership at the 1951 San Francisco Peace Conference. In 1974 Cloma “transferred” sovereignty of the islands to the Philippine Government, and in June 1978 the Kalayaans were declared Philippine territory by presidential decree. According to that decree, the Kalayaans belong to the Philippines “by reason of their proximity”. Since 1956 the Philippines has stationed military personnel on eight of the islands.

Prior to 1994, the question of ownership of the Kalayaans had not been a major irritant in Sino-Philippine relations. In April 1988, Philippine President Corazon Aquino made a high-profile trip to the PRC. Although trade issues topped the agenda in her meetings with Chinese officials, Aquino raised the issue of the Kalayaans with China’s then paramount leader, Deng Xiaoping. Deng promised to shelve the sovereignty issue, engage in joint exploration and exploitation of maritime resources, and work towards a peaceful resolution of the issue. In May 1994, the Philippine Department of Energy approved an application made by the U.S. oil company Vaalco, and its Philippine subsidiary Alcorn, to conduct a “desk top” oil exploration exercise near Reed Bank, 400 nautical miles west of Palawan. Beijing protested the move as an infringement of Chinese sovereignty and also an infraction of the principle of joint exploration agreed to by Deng and Aquino in 1988.

The year 1995 marked a turning point in Sino-Philippine relations with the discovery of Chinese-built structures on Mischief Reef -- a small, rocky outcrop lying 135 miles west of Palawan and well within the Philippine-claimed 200-mile Exclusive Economic Zone (EEZ). In January 1995, the captain of a Philippine fishing vessel reported that he and his crew had been detained for several days by Chinese troops on Mischief Reef. Reconnaissance aircraft later confirmed the existence of Chinese structures on the Reef -- four platforms on stilts, with three to four octagonal bunkers on each platform, equipped with satellite communication equipment. Eight Chinese naval vessels were also seen near the Reef. Philippine President Fidel Ramos condemned the construction of the structures as “inconsistent with international law and the spirit and content of the 1992 Manila ASEAN Declaration on the South China Sea to which both (countries) are parties”. Although the Ramos administration made a token military gesture by reinforcing the garrison on the Kalayaans, diplomacy was the only realistic option available to the Philippines to defuse the crisis. Philippine and Chinese officials held two rounds of discussions over the dispute, and ASEAN as a group raised the issue with the PRC in Hangzhou in April 1995. The Philippines’ diplomatic strategy
seemed to have paid off in August 1995 when the two countries agreed on a code of conduct. The code was aimed at preventing similar incidents occurring in the future, and increasing bilateral co-operation in the South China Sea.

The signing of the code of conduct did not, however, signal an end to the dispute. A minor skirmish took place between Chinese and Philippine warships in January 1996,[9] and between March and May of the same year it was reported that the structures on Mischief Reef had been upgraded.[10] In April 1997, tensions rose again when eight Chinese naval vessels were sighted near Mischief Reef and a new structure was seen on a reef six miles northeast of the Philippine-held Kota Island.[11] At the same time, two vessels owned by the Chinese State Oceanic Administration were intercepted by the Philippine Navy near Scarborough Shoal, a small reef lying 130 miles west of Luzon (Scarborough Shoal is not part of the Spratly group, but its ownership is disputed by both the PRC and the Philippines). The ships had been carrying Chinese and foreign amateur radio enthusiasts who had planned to make a broadcast from the reef.[12] The captains of the Chinese vessels informed their Filipino counterparts that the PRC considered Scarborough Shoal its territory, a claim rejected by the Ramos administration.[13] Not wishing to escalate tensions, the Chinese vessels withdrew. In mid-May, a group of Philippine congressmen sailed to Scarborough Shoal and planted the Philippine flag on the reef.

In October 1998, the issue of Mischief Reef came to prominence again when the Philippine Government produced photographs of Chinese vessels unloading construction materials at the reef. Subsequent photographs revealed Chinese workers constructing a large building adjacent to the original structures.[14] Manila condemned the move as a violation of the 1995 code of conduct, an assertion which the Chinese Foreign Ministry rejected.[15] Newly elected Philippine President Joseph Estrada raised the issue with Chinese President Jiang Zemin at the November 1998 Asia-Pacific Economic Co-operation (APEC) summit in Kuala Lumpur. The two leaders agreed to refer the matter to a panel of experts from both sides, and to consider joint use of the facilities.[16] Estrada also met with U.S. Vice-President Al Gore at the APEC meeting. Estrada reportedly told Gore that he was pushing the Philippine Senate to ratify the Visiting Forces Agreement (VFA) with the United States, and sought U.S. help to modernize the Armed Forces of the Philippines (AFP).[17] On 29 November, the Philippine Navy arrested twenty Chinese fishermen near Mischief Reef and charged them with illegal fishing.[18]

**The Implications for PRC Policy in the South China Sea**
Since the introduction of the open-door policy in 1978, the Chinese leadership has made economic modernization the PRC's overriding national priority. To facilitate this goal, China needs a peaceful regional environment in which to pursue economic reform. Hence, Chinese foreign policy since the early 1980s has emphasized economic cooperation with other countries. At the same time, however, there are certain core issues which the Chinese leadership is not prepared to compromise. Chief among these is sovereignty over areas which the PRC believes to be historically part of its territory, namely, Hong Kong, Macau and Taiwan, but also the South China Sea (including the Spratly and Paracel Islands). Although the PRC has worked hard to establish good relations with the ASEAN states during the past few decades, this unwillingness to compromise over sovereignty of the Spratly Islands has proved to be an obstacle to the smooth development of Sino-ASEAN relations. Whilst the South China Sea dispute does not involve all the ASEAN members (there are four ASEAN claimants -- Malaysia, the Philippines, Brunei and Vietnam), it does have an impact on the stability of Southeast Asia and is therefore a concern to each member.

The events of 1995-98 have reinforced the view that the PRC is pursuing a policy of "creeping assertiveness" -- a gradual policy of establishing a greater physical presence in the South China Sea, without recourse to military confrontation. This policy has two operational strategies. The first employs diplomacy -- China repeatedly states that sovereignty of the islands is not open for negotiation, but that it is prepared to shelve the sovereignty issue, work towards a peaceful resolution of the dispute based on international law, and jointly develop the natural resources with the other claimants. The second strategy involves laying down territorial markers and, wherever possible, seizing unoccupied reefs and building structures on them. These markers and structures are then indicated on Chinese maps to delineate the extent of PRC claims. In accordance with the first strategy, China has taken part in both bilateral and multilateral discussions, including the Indonesian-sponsored workshops on the South China Sea,[19] and has declared that it will abide by the conventions of the 1982 United Nations Convention on the Law of the Sea (UNCLOS). Since 1988, China has followed the second strategy by laying down territorial markers and occupying a number of reefs. To consolidate its hold over these reefs, facilities capable of housing military personnel and berthing naval vessels have been constructed. These facilities are built in three stages.[20] The first stage consists of a small hut on stilts. This hut is then upgraded to a more complex structure of three to four octagonal bunkers (such as the kind constructed on Mischief Reef). The final stage involves the construction of a large brick fortress capable of housing more than fifty men. The work which began in October 1998 was widely seen as the third stage of construction, aimed at making the facilities more permanent.
Far more problematical than discerning what is the Chinese policy in the
South China Sea is identifying the actors who shape that policy. Of particular
interest is the role played by the People’s Liberation Army (PLA). One school
of thought posits that the decision to occupy Mischief Reef was taken by the
PLA alone -- either at the highest levels, or by low-ranking officers without the
knowledge of their superior officers. With regard to the second group of
actors, it has been suggested that low-ranking military personnel "on the
ground" took the initiative to occupy the reef themselves. This idea is given
credence by two factors: firstly, that Chinese officials had apparently admitted
to the Philippine Government early on in the crisis that the occupation had
been undertaken by low-ranking PLA officers "without the knowledge and
consent of the Chinese government".[21] Secondly, elements of the Chinese
navy operating independently of the PLA leadership had been repeatedly
implicated in smuggling and acts of piracy in the South China Sea.[22]
However, it seems unlikely that the Mischief Reef incident was the result of
over-zealous, nationalist naval commanders seeking to extend China's
maritime frontiers, or the work of "rogue" naval units. Building a military
facility, albeit a small one, hundreds of miles from the Chinese mainland
requires logistics which could only have been approved at the highest levels
of the PLA leadership. Moreover, there were no obvious commercial benefits
which "rogue" naval personnel could have derived from building such
structures. The Philippine Government immediately rejected the notion that
the facilities had been built without the knowledge of the Chinese
Government.[23]

Having shown the unlikelihood of junior officers taking the initiative, attention
is turned to the higher levels of the PLA. That senior PLA leaders do have a
role to play in the formulation of Chinese foreign policy and national security
has been established elsewhere.[24] Moreover, John W. Garver has argued
that senior military officers have been quite influential in the direction that
Chinese policy has taken in the South China Sea.[25] Whilst it is possible that
the decision to occupy Mischief Reef was taken by the PLA leadership alone,
and without the knowledge or approval of the civilian leadership, it seems
more likely that events on Mischief Reef were the by-product of the jockeying
for power in the initial moves of the post-Deng leadership struggle. The
period 1994-96 has been characterized as one of internal power struggles
within the Chinese leadership. China’s former paramount leader Deng
Xiaoping, whilst incapacitated and less able to influence government policy,
was not yet dead, and his chosen successor, Jiang Zemin, was still in the
process of consolidating his position as the "core" of the third generation of
leaders. The support of the PLA was crucial in that consolidation process. In
order to win the support of the PLA, Jiang may have been persuaded to
pursue a more assertive foreign policy visa-vis the United States, the South
China Sea, and especially Taiwan. By doing so, Jiang was able to display his nationalist credentials, winning the support of the PLA and neo-conservative factions within the leadership. Though Jiang probably did not initiate the chain of events which led to the occupation of the reef, he may have given the operation his blessing.

PLA influence on the conduct of Chinese foreign policy reached its zenith with the 1996 Taiwan Straits crisis. The PLA seemed to have been the main advocate of a hard-line approach towards the breakaway province in the run-up to the Taiwanese presidential election in March 1996, a policy which culminated in missile tests near the island. Since 1997, however, PLA influence seems to have waned. Jiang Zemin has now emerged as the undisputed core of the Chinese leadership, his position bolstered by the successful reversion of Hong Kong to Chinese sovereignty on 1 July 1997, and a series of high-profile summits with world leaders. An indication of how Jiang has become less reliant on the support of the military came in September 1998 when the PLA was ordered to divest itself of business interests and concentrate on professionalization.

The Mischief Reef and subsequent incidents can best be seen, therefore, as part of China’s continuing policy of creeping assertiveness in the South China Sea, a policy formulated by the Chinese leadership and influenced by senior generals within the PLA. However, the occupation may also have been aimed at testing the reactions of ASEAN and the United States to Chinese policy. One of the most significant aspects of the incident is that it was the first time that China had occupied territory claimed by an ASEAN member. Previously, China’s confrontations in the South China Sea had been exclusively with Vietnam. Mischief Reef provided the Chinese leadership with a good opportunity for testing how ASEAN as a group would react to Chinese military facilities on a reef claimed by one of its members. Given that not all the members of ASEAN have territorial disputes with China, and that threat perceptions of the PRC differ quite widely between the member-states, China did not expect the regional grouping as a whole to take a united stand on the issue. It will be shown, in the next section, how these expectations proved wrong. Mischief Reef can also be interpreted as a test of the United States’ stand on the South China Sea issue, and its commitment to its ally, the Philippines. The Chinese leadership probably calculated that the United States would not commit itself to the defence of a small reef in the South China Sea. These calculations were to prove correct.

**Philippine Strategies towards the PRC**

In this section the strategies that the Philippines has chosen to pursue in its relations with the PRC will be examined, both before and after the crisis at
Mischief Reef. However, before going on to explore these strategies, we need to examine the country’s changing strategic environment, particularly the American military withdrawal in 1992 and the state of the Armed Forces of the Philippines (AFP), as these factors have had an important impact on China’s decision to occupy Mischief Reef.

The Closure of U.S. Military Bases and the Decline of the AFP

The Philippines’ post-independence security environment was dominated by the United States. In 1947, the Philippines concluded a Military Bases Agreement (MBA) with the United States under which Washington would retain the use of its military bases. Defence links between the two countries were strengthened in 1951 with the conclusion of a Mutual Defence Treaty. By its terms, "an attack in the Pacific Area on either parties would be dangerous to its own peace and safety" and in such an event the United States "would act to meet the common dangers".[27] The United States and the Philippines were also tied to each other militarily through the 1954 Manila Pact, a defensive alliance which led to the creation of the Southeast Asia Treaty Organization (SEATO) in February 1955. Though SEATO has since become moribund, the Manila Pact remains in existence. The two most important U.S. bases in the Philippines were Clark Air Force Base and Subic Bay Naval Base. They were two of the United States’ largest overseas bases and constituted an important hub in its global defence network. Moreover, the bases not only enhanced the United States’ global power projection capabilities, but also provided the Philippines with a security umbrella. In fact, the deterrence effect of the bases was such that Washington had taken de facto responsibility for the Philippines’ external defence. This allowed the AFP to concentrate its efforts on combatting internal security problems, such as communist insurgencies and separatist movements.

Despite the security which the bases provided, and the injection of much needed capital into the Philippine economy, their existence was a continual source of friction between the two countries. Anti-base activists argued that the bases made the Philippines a target for nuclear attack by the Soviet Union, that the promiscuous behaviour of U.S. servicemen was leading to an AIDS epidemic, and that Filipino workers there were underpaid and exploited. The strongest argument in favour of closing the bases was advanced by Filipino nationalists --that the American military presence had become a symbol of the Philippines’ dependence on the United States. With the end of the Cold War, they argued, and the threat from the Soviet Union dissipated, it was time for the Americans to leave, and for the Philippines to stand on its own two feet. In 1991, volcanic ash from the Mount Pinatubo volcano rendered Clark Air Force Base unusable, and the United States withdrew. Although the United States military wanted to continue to use Subic Bay, the Philippine Senate voted to
terminate the U.S. lease over the bases in September 1991. Washington chose not to re-negotiate the treaty as the closure of the bases fitted in with plans to "down-size" U.S. forces in the region following the end of the Cold War. In September 1992, the Americans handed over Subic Bay to the Philippine Government, and two months later, the last U.S. military personnel left the Philippines.

The Philippines' reliance on the United States to provide for its external defence had a negative impact on the operational capability of the AFP. Because the Americans had extensive air and naval forces based in the Philippines, successive governments had neglected to develop the Philippine air force and navy. The Philippine army fared somewhat better in terms of budgetary allocation as it had been tasked with dealing with communist insurgents and separatist movements. However, during the 1970s, and especially after the imposition of martial law by President Ferdinand Marcos in 1972, the role of the Philippine army became increasingly politicized. Carolina Hernandez has remarked that under martial law “the military became the primary basis of regime support as well as the primary implementing agency of the government”.[28] The transformation of the AFP from a professional army to an internal security force had two important effects. Firstly, without the security umbrella provided by the United States, the AFP was incapable of providing the Philippines with a credible external defence capability. Secondly, the politicization of the army, and its close association with the Marcos regime, had created negative perceptions of the AFP amongst ordinary Filipinos. These negative perceptions were reinforced by a series of abortive coup attempts against the Aquino government carried out by elements of the AFP from 1987 to 1989. In an opinion poll conducted in May 1986, a plurality of respondents thought the size and budget of the AFP should be cut.[29]

With the departure of the U.S. military, the Philippine Government was left with the urgent task of modernizing the AFP. By the early 1990s, the AFP had fallen into a state of almost complete disrepair. The Philippine Navy consisted of eleven U.S. built corvettes, thirty-two small patrol craft, and several amphibious landing ships, all of World War II vintage.[30] The Philippine Air Force possessed seven elderly F-5 jet fighters, only five of which were air worthy. The army was in slightly better condition, but entirely geared towards dealing with internal security threats. Compared to its ASEAN partners, Philippine defence spending was very low (see Table 1).

In 1990, President Aquino urged the Philippine Congress to support a US$1 billion ten-year military modernization programme which would give priority to upgrading the air force and navy. The AFP lobbied for fast missile-armed patrol boats, long-range aircraft, multi-role jet fighters, and early-warning radar stations.[31] However, the modernization bill did not elicit widespread
support from ordinary Filipinos or the Congress. The Marcos regime had ruined the Philippine economy, and politicians felt that funds for upgrading the AFP could be better spent on the provision of public services and tackling poverty. Moreover, many congressmen felt that the Philippines did not face any serious external threats; the threat posed by the Soviet Union had disappeared, Manila enjoyed good relations with its ASEAN partners, Japan was firmly locked into an alliance with the United States, and China, though increasing its defence spending, seemed too far away to be of concern. Besides, the Philippines still had its defence treaty with the United States. The military modernization bill remained in abeyance.

In May 1992, Fidel Ramos was elected President of the Philippines. A West-Point graduate, former AFP Chief of Staff and Vice-President in the Aquino administration, Ramos paid more attention to Philippine security than his predecessors. Ramos was well aware of the emasculated state of the Philippine military and, unlike many in Congress, he did not believe that the country would enjoy a totally benign strategic environment once the Americans had vacated their bases. Fears that the withdrawal of the Americans would leave the Philippines vulnerable to external threats were echoed by members of the Ramos government, including Defence Secretary Renato de Villa, who openly admitted that “Until the armed forces have completed their modernisation programme, then we have very limited capability to defend ourselves in the air and at sea”. [32]

Ramos was primarily concerned with the Philippines inability to defend its territorial claims in the South China Sea. The Kalayaans were increasingly seen as an important economic asset for the Philippines to exploit. The waters around the Kalayaans are rich in fish stocks -- in 1993 Filipino fishermen landed 162,455 tons of commercial fish off the island of Palawan, representing nearly 20 per cent of the total Philippine catch. [33] Of greater importance is the potential for energy resources. Manila hoped that by exploiting oil and gas from the Kalayaan group, the country could achieve energy self-sufficiency early in the twenty-first century. However, fears that the South China Sea dispute could spark a military confrontation had been engendered by two developments. First, in February 1992 the Chinese National People’s Congress passed the Territorial Law of the Sea, by which the PRC claimed sovereignty over the Paracels and Spratlys, effectively turning the South China Sea into a “Chinese lake”. Fears of growing Chinese assertiveness in the South China Sea were reinforced when PLA forces occupied Da Lac reef near Vietnam on 4 July 1994. Secondly, the substantial reduction of Russian forces at Cam Ranh Bay in Vietnam and the “down-sizing” of the U.S. military in the region had created uncertainty as to the strategic contours of post-Cold War Southeast Asia. A fear shared by many in the region was that a “power
vacuum" was developing, one which might be filled by China, whose long-term intentions remained unknown. It was Raul Manglapus, the former Philippine Foreign Minister, who specifically identified China as the primary threat to regional stability when he said "China slept for a long time under a soporific ideology. Now it is waking up ... China is merely living up to historical expectations that being such a big country, it would not fail to flex its muscles". [34] Speaking in July 1992 on the South China Sea, Ramos said there was "an urgent necessity to seek a solution ... Lest the unsettled situation lead to parlous developments". [35] Ramos hoped that a combination of strategies would secure the Philippines' position in the Kalayaans.

Military Modernization

Recognizing the deficiencies of the AFP, Ramos made the modernization of the Philippine military one of the goals of his administration. However, budgetary constraints and political opposition prevented any meaningful progress in this area, and when the Mischief Reef incident occurred in 1995, the AFP was incapable of mounting an effective military challenge to the PLA, especially at sea. Foreign Minister Romulo stated that in seeking to resolve the dispute and persuade the PRC to withdraw its troops and dismantle the structures, the Philippines would not employ force. [36]

The dispute focused attention on the weaknesses of the Philippine military and the pressing need to proceed with the defence modernization programme. A few weeks after the existence of the Chinese structures was reported, Congress introduced a fifteen-year US$12.6 billion defence modernization bill, originally outlined by Ramos in 1989. [37] Philippine officials were, however, at pains to point out that the bill was not connected with the Mischief Reef incident, claiming instead that the termination of the communist insurgency and the closure of U.S. military bases had enabled military planners to turn their attention towards external defence. [38] During the first five years of the programme, the AFP was to receive US$1.9 billion to purchase a squadron of multi-role jet fighters, twelve off-shore patrol vessels, and new air defence radar. [39] However, despite the urgent need for the Philippines to upgrade its military forces, the bill was not passed until December 1996. Since then, the operational capability of the AFP has improved little. [40]

The Diplomatic Option Engagement with China

There was a high-degree of continuity between Aquino and Ramos in terms of engagement with China, made possible because relations with the PRC were not an electoral issue. However, Ramos paid more attention to the strategic dimension of the relationship than his predecessor. In April 1993, Ramos paid
a state visit to the PRC, but unlike Aquino's trip in 1988, security issues were high on the agenda. During his trip, President Jiang Zemin assured Ramos that he wished to resolve the South China Sea dispute peacefully, and that neighbouring countries should not be alarmed by China's defence modernization programme. On his return to Manila, Ramos announced that he had been reassured by the Chinese leadership.[41]

The occupation of Mischief Reef therefore came as a blow to the policy of engagement. However, in seeking to resolve the issue, diplomacy remained the only credible option open to the Philippines to pursue. Manila hoped that by pursuing negotiations, Beijing would dismantle the structures. In August 1995, after two rounds of bilateral discussions, China and the Philippines agreed on a code of conduct to avoid future incidents in the South China Sea and to increase maritime co-operation. The principles of the code stressed freedom of navigation, non-use of force, and bilateral co-operation. More importantly, the code sought to maintain the status quo in the Kalayaans; no further facilities should be built by either side nor upgraded, and each side was to inform the other of all naval movements around the disputed islands. Whilst the negotiations had failed to achieve the removal of the structures from Mischief Reef, the Ramos government was satisfied that the code would ease tensions in the South China Sea and prevent similar incidents occurring in the future. During the negotiations, both sides agreed to a series of confidence-building measures, including joint fisheries exploration and military exchanges. Although these measures have contributed to an improvement in Sino-Philippine relations, Manila has been frustrated by what it regards as continuing violations of the code of conduct. As noted earlier, these included an incident involving Chinese naval vessels and the AFP in January 1996, the up-grading of facilities on Mischief Reef in May 1996, the sighting of a new "hut-like structure" near Kota Island in April 1997, the dispatch of Chinese research vessels to Scarborough Shoal, and most recently, the construction of a permanent structure on Mischief Reef.

The Importance of ASEAN

Of crucial importance to the Philippines' diplomatic strategy in its dispute with China was the support of ASEAN. By gaining the support of ASEAN as a group, the Philippines could confidently assert to China that its actions in Mischief Reef were viewed with concern and that Chinese behaviour was seen as undermining the stability of the region, something the PRC needed to realize its economic modernization programme. The Ramos government wanted a statement from ASEAN censuring China's behaviour and supporting the Philippine position on the issue. On 18 March, ASEAN foreign ministers issued a statement expressing "serious concern" over developments in the South China Sea and urged both parties to abide by the 1992 Manila
The statement was also endorsed by Vietnam. Though it did not name China directly, the statement sent a clear message to Beijing that the PRC should desist from engaging in destabilizing activities in the South China Sea and to abide by the principles of the 1992 Manila Declaration if Sino-ASEAN relations were to prosper.

The Philippines was able to build on this ASEAN consensus in April 1995 when the first China-ASEAN Forum took place in Hangzhou. Officially, the issue of the South China Sea was not on the agenda. However, at an informal meeting on the eve of the formal sessions, ASEAN and Chinese officials held a meeting solely to discuss the issue. The leader of the ASEAN delegation told the Chinese side that its recent conduct in the South China Sea had had a negative impact on the stability of the Asia-Pacific region, and that, in accordance with the 1992 Manila Declaration, the issue should be settled peacefully. ASEAN stressed that China's actions had set back efforts to build trust between Beijing and the regional grouping. Under-Secretary Rodolfo Severino was satisfied that his ASEAN partners had backed the Philippines, and expressed its concern over developments in "unusually forceful terms". Foreign Minister Romulo expressed his "gratification" that ASEAN had spoken "with one voice". The Chinese side was undoubtedly taken aback by ASEAN's reaction.

The Ramos government wanted to take the issue further, to the ASEAN Regional Forum (ARF) which was due to hold its first working session in Brunei in May 1995. Severino made the case forcefully when he stated "... if [the ARF] is a forum for consultation worthy of the name, I don't see how it can avoid discussing the issue". Severino wanted ASEAN to raise the issue collectively with China. However, the Philippines' ASEAN partners were unwilling to adopt such a strategy, fearing it might antagonize China and jeopardize the talks. Lim Jock Seng, the leader of the ASEAN delegation, urged that confrontation with China should be avoided; "we must settle the issue in the spirit of ASEAN". The Philippine side was disappointed, but the decision had avoided a potentially damaging conflict between ASEAN and China in the formative stages of the ARF. China had indicated that it did not want Mischief Reef discussed at ARF meetings and there were limits to how far ASEAN was willing to push the PRC.

Chinese objections had prevented the issue of Mischief Reef being put on the agenda of the second ARF meeting in Brunei on 1-3 August 1995. However, as in the case of the Hangzhou meeting, ASEAN was able to raise the issue with China in a consultative session before formal talks began. The meeting was chaired by Ali Alatas, Indonesia's Foreign Minister, and attended by Chinese Foreign Minister Qian Qichen. During the meeting, Alatas expressed ASEAN's anxiety over the territorial disputes in the South China Sea and the potential
for conflict over the islands. Such conflict, Alatas suggested, could "undermine regional stability". [49] In the face of ASEAN opposition, Qian stated that China was willing to resolve its territorial disputes with the other claimants based on UNCLOS. [50] Alatas said that Beijing's acceptance of UNCLOS was a "welcome clarification". He also welcomed China's willingness to discuss the South China Sea issue in multilateral fora, unlike previously when Beijing had favoured bilateral negotiations.

ASEAN optimism over China's stated intention to solve the territorial disputes by reference to UNCLOS was short-lived. In May 1996, the Chinese Government announced that, in accordance with the provisions laid down in UNCLOS, it was expanding its "baseline" claim (the point at which a country can define its twelve-mile territorial sea and 200-mile EEZ) to the Paracel Islands, thereby extending its territorial claims in the South China Sea by 965,000 square miles. The announcement was immediately condemned by the Philippines as a move which "disturbs the stability of the area and sets back the spirit of co-operation". [51] The Philippines argued that the move was invalid because the PRC is not an archipelagic state. ASEAN raised the issue with China at the second China-ASEAN Forum held in Bukittingi, Indonesia, in June 1996. [52]

The Role of the United States

When Ramos came to power, he inherited the decision to terminate the bases agreement with the United States, a decision which he strongly opposed. Though Ramos could do nothing to reverse it, he hoped that the presence of U.S. forces in other parts of Asia would help ensure regional stability, and provide a limited security umbrella for the Philippines. Moreover, many observers in the Philippines still had confidence that the United States would come to its aid if a confrontation occurred in the Kalayaans. According to the terms of the 1951 Mutual Defence Treaty, the United States was obliged to assist the Philippines in the event of an "armed attack". "Armed attack" was understood to be "on the metropolitan territory of either of the Parties or on the island territories under its jurisdiction in the Pacific Ocean, its armed forces, public vessels or aircraft in the Pacific". [53] This confidence that the United States would help the Philippines militarily in the South China Sea was articulated by Defence Secretary de Villa in 1992:

We still have a mutual defence treaty with the United States. If we are attacked from the outside -- which is not likely to happen in the first place -- if the Philippine government invoked this treaty, then the United States will have to come to our aid in defending us. [54]
However, the United States was somewhat ambiguous on what it would do if the Philippines faced a crisis in the Kalayaans. On the one hand, Washington was at pains to point out that it would stand by its treaty obligations with the Philippines, and come to its aid in times of crisis. Asked specifically about the South China Sea, U.S. Ambassador to the Philippines, Frank Wisner, stated: "The United States is not going to stand idly by if there is another threat to peace in this part of the world, particularly if it affects a friend of the United States". [55] Richard Solomon, U.S. Assistant Secretary of State for East Asian Affairs, declared, "Even where defence treaties are not involved ... where aggression occurs, and where our interests are involved, or the interests and security of our allies and friends, the United States does not cop out". [56] On the other hand, the United States never made an absolute commitment to aid the Philippines if conflict were to break out in the Kalayaans. Indeed, at times, the United States had indicated that it did not think the Kalayaans were covered by the 1951 Treaty, because the islands were not officially incorporated until 1978. [57] The United States thus saw the 1951 Treaty as a statement of intent to aid the Philippines only if the national interests of both countries were threatened. Historical precedents illustrating the U.S. stance include the PLA’s seizure of the Paracel Islands in 1974 from South Vietnam (an ally of Washington) and, in the case of the Philippines, U.S. refusal to support Manila in its struggle against Muslim secessionists. [58] President Ramos himself seemed unconvinced of U.S. commitments to the Philippines. As the last U.S. military personnel left the country in November 1992, he suggested the 1951 Treaty needed to be revised, clearly stating the circumstances in which Washington would assist Manila militarily. [59]

The Philippine Government reluctantly recognized that the United States felt unable to apply the provisions of the 1951 Treaty to the Mischief Reef issue, and in this they were disappointed, especially after Washington had promised to stand by its ally in times of crisis. Moreover, Manila was perplexed and angered by the attitude of the U.S. Government. The structures on Mischief Reef were constructed some time between June and December 1994 and, according to one senior AFP official, the Americans knew of their existence at least several months before they were reported to the Philippine coastguard. That official suggested that the United States had deliberately withheld the information as a way of reminding the Philippines that since the Americans had been expelled from Subic, Manila could no longer automatically expect Washington to share intelligence with the Philippine Government and its defence agencies. [60] In fact, the U.S. military initially denied that they had had any knowledge of the structures before February 1995. However, in March 1995 when Admiral Richard Macke, Commander-in-Chief of the U.S. Pacific Command, was asked how it was that the activities of the Chinese Navy had gone on undetected in the South China Sea for nearly six months, he
responded "I didn't say we didn't know anything about it ... We don't get surprised an awful lot". [61] Manila was angered that the United States had known of the structures several months before the AFP but had not informed them, and when the AFP requested further information from the Pentagon they were refused. [62] This was despite the fact that Admiral William Owens, vice-chairman of the U.S. Joint Chiefs of Staff, had said that the U.S. military "cared a lot about sharing important intelligence with our allies". [63]

Whether the failure to alert Manila to the existence of the Chinese facilities on Mischief Reef was the result of a gap in the U.S. intelligence gathering network caused by the closure of its bases in the Philippines, [64] or because Washington wanted to demonstrate to Manila the need for continued U.S. military access to the Philippines, the message was clear: Mischief Reef was not considered vital to the security of the United States, and consequently, the Philippines would have to fend for itself. Although the United States viewed events with concern, its primary interest was freedom of navigation -- keeping the sea-lanes open for international maritime traffic. [65] The statement of concern issued by the State Department indicated that the United States believed that the likelihood of a major military confrontation between China and the Philippines was extremely low. [66]

Washington thought that the Philippines and its ASEAN partners should act together to try to curb Chinese behaviour in the South China Sea, and that the ideal forum to raise the issue would be the ARF. Winston Lord, Assistant Secretary of State for East Asian and Pacific Affairs, commented that if the ARF was to be "credible" it must address "key regional security issues" such as the Spratly Islands. [67] America's decision not to aid the Philippines militarily was defended by Stephen Wrage, Associate Professor at the U.S. Naval Academy, in a seminar given in Singapore. [68] Wrage argued that had the United States provided military assistance to the Philippines, it would have significantly raised tensions in the area, possibly leading to a Sino-U.S. military clash. The resulting damage to bilateral relations would have set back efforts on such issues as non-proliferation and further opening of the Chinese market. Instead, Wrage asserted, it was better for ASEAN to deal with China at multilateral fora. [69] However, as shown, ASEAN was unwilling to raise the issue formally at the ARF for fear of antagonizing China.

Mischief Reef and Scarborough Shoal have helped focus attention on the need to put U.S.-Philippine security relations on a firmer footing. However, the presence of U.S. military personnel on Philippine soil, or even of visiting U.S. warships, is still politically sensitive. In the Philippine Congress, opinion is split between those who do not want to see American troops back on Philippine soil and those who seek a greater U.S. military presence to deter China from further acts in the Kalayaans. Political opponents and Filipino nationalists had
accused Ramos of using Mischief Reef and the "Chinese bogeyman" to "lure the Americans back".[70] Others have called for the 1951 Mutual Defence Treaty to be revised to include the Philippines 200-nautical mile EEZ and the disputed islands within.[71] The Philippines thus faces a dilemma. On the one hand, the weakness of the AFP dictates that Manila needs the support, or at least the presence of, the U.S. military. On the other hand, the Philippines does not want to revert to a dependent relationship with the United States. Symbolic of this dilemma is the argument over the Visiting Forces Arrangement (VFA). Initially, Washington wanted legal immunity for all U.S. military personnel committing crimes in the Philippines, which the Philippine side rejected. Eventually, in January 1998, a compromise was reached whereby crimes committed by U.S. military personnel on duty in the Philippines would be dealt with by U.S. military authorities, whereas crimes committed off-duty would be handled by Philippine courts.[72] However, the Philippine Senate still viewed the agreement as very one-sided, and to date has refused to ratify the VFA.

**Philippine Perceptions of the PRC: Continuity and Change**

The events of 1995-98 have had a negative impact on Philippine perceptions of the PRC. Prior to 1995, most Filipino politicians, government officials and academics viewed the PRC in a positive light, based on a history of largely friendly and trouble-free bilateral relations. The PRC's establishment of an armed outpost a mere 135 nautical miles from Palawan came as a great shock to the Filipinos, and was a turning point in how they perceived the PRC. But the implications of Mischief Reef go far beyond the sovereignty of a rocky outcrop in the South China Sea. Ramos has remarked that the Spratly Islands have become "a litmus test of whether China, as a great power, intends to play by international rules or makes its own".[73] Since 1995, he has voiced concern on a number of occasions on how an economically and militarily strong China might assert itself in the future. In a speech delivered in Hawaii, Ramos said;

> China will unavoidably press -- politically and militarily -- on East Asia, even if Beijing made no effort to build up its capability to project power beyond its strategic borders ... How China exercises its political and military clout must concern us all.[74]

In fact, the views of Fidel Ramos mirror those of other leaders in Southeast Asia. The region supports the economic development of China, not only because it provides the ASEAN countries with valuable investment opportunities, but also because a stable China is very much in the interest of regional stability. Moreover, despite the events of 1995-98, most observers in the Philippines still support engagement with the PRC; pursuing confidence-
building measures and security dialogue, encouraging China's participation in multilateral fora, and fostering economic interdependence. By pursuing these strategies, the Philippines hopes to see the PRC become a more democratic and responsible member of the international community -- a country which is attuned to the sentiments and sensitivities of its neighbours.

Whilst the Philippines advocates political and economic engagement with China, it also favours the continued military presence of the United States in the Asia-Pacific region -- a policy referred to in many ASEAN capitals as "engagement with insurance". The "engagement with insurance" strategy thus recognizes that ASEAN-China dialogue and economic interdependence alone cannot be relied on to address security concerns associated with the rise of China -- the United States is needed to balance China. However, the Mischief Reef incident has led many to wonder just how deep U.S. commitment to the stability of Southeast Asia goes.

Conclusion

The events surrounding Sino-Philippine territorial disputes serve to highlight a number of important trends in the South China Sea dispute, as well as the security of Southeast Asia. Firstly, the events of 1995-98 illustrate well the PRC's two-pronged strategy in the South China Sea -- willingness to discuss the possibility of joint exploration and other forms of co-operation, whilst at the same time establishing a greater presence in and around the disputed reefs. However, the PRC has eschewed military confrontation with the other claimants for fear of damaging relations with ASEAN and pushing the regional grouping closer to the United States. The weakness of the Philippine military provided the PRC with the opportunity to extend its claims with little risk of military action. Chinese policy in the South China Sea has been consistent, but subject to the influence of the PLA during periods of factional infighting. As President Jiang consolidates his position within the Chinese leadership, the role of the PLA may diminish.

Secondly, the occupation of Mischief Reef elicited a strong diplomatic reaction from ASEAN, an indication of the group's growing concern over China's increasingly assertive behaviour. Given the differing perceptions of the PRC among the ASEAN countries, and the fact that not all its members are claimants in the South China Sea dispute, China probably did not expect such a strong rebuke. It shows that although ASEAN did not have a cohesive policy towards China, it came together on an issue considered important to regional stability. However, in the aftermath of the Asian financial crisis, and the resultant strains in ASEAN unity, it remains to be seen whether or not ASEAN can again muster a similar united stand.
Thirdly, the Mischief Reef incident once again calls into question the commitment of the United States to the security of Southeast Asia. The United States had made plain its commitment to aid the Philippines in times of crisis. However, Washington is not prepared to risk damaging its relations with China by involving itself in the South China Sea dispute, unless and until freedom of navigation is at stake. Whilst the United States favours a forward deployment in Southeast Asia, it hopes ASEAN can address its security concerns with China through the ARF and other multilateral fora. Progress there has been limited.

Fourthly, whilst the Philippines’ diplomatic strategy has paid some dividends, its primary objective of seeing the Chinese structures removed from Mischief Reef remains unfulfilled, and calls into question the effectiveness of bilateral negotiations with the PRC. Other strategies are required, including cultivating defence links with external powers and greater security co-operation among the ASEAN states. In the present climate of economic distress and inter-ASEAN tension, such co-operation may be impossible to achieve, with serious implications for regional security.

NOTES

1. In March 1998 the author conducted a number of interviews in Manila with officials from the Department of Foreign Affairs (DFA), the Department of National Defence (DND) and the Armed Forces of the Philippines (AFP). Due to the sensitivity of the subject, all interviewees requested anonymity. This article mainly draws on the Philippine perspective of the South China Sea dispute and is part of a broader study on ASEAN threat perceptions vis-a-vis the PRC. Official Chinese pronouncements are taken to represent the position of the Chinese Government.


3. Merliza Makinano, Understanding the South China Sea Dispute (Quezon City, Philippines: Office of Strategic and Special Studies, Armed Forces of the Philippines, 1998), p. 11.

4. Ibid.


9. On 22 January 1996, the Philippine Navy claimed that one of its vessels had been involved in a 90-minute "gun battle" with Chinese naval ships 70 miles northwest of Manila. President Ramos sought to down-play the incident as a Chinese smuggling operation. See "Philippines: Shots in the Spratlys", Jane's Intelligence Review, 1 March 1996, p. 98.

10. Between March and May 1996, the AFP reported that the facilities on Mischief Reef were being upgraded with the addition of "electronic equipment". See "Military official says China upgrading structures on Mischief Reef", BBC Monitoring Service: Asia Pacific, 5 March 1996; and "Philippines navy 'not alarmed' by new Chinese structures on disputed reef", BBC Monitoring Service: Asia Pacific, 22 May 1996.


12. The radio "hams" were keen to visit the reef as it had recently been designated a "country" by the American Radio Relay League, which sponsors a programme known as the "DX Century Club". To gain entrance to this club, enthusiasts must make contacts with other hams from 100 "countries". For a more detailed account, visit the expedition's website at www.iglou.com/n4gn/sr/.


15. Chinese Foreign Ministry spokesman Zhu Bangxao claimed that "renovation" work was being carried out on Mischief Reef and that no violation of the code had taken place. The Chinese side also stated that Beijing had informed Manila of its intention to carry out maintenance work on Mischief Reef on 15 October


19. In January 1990 the first Indonesian sponsored workshop was held in Bali. A second meeting was held in Bandung in 1991 and was attended by officials and academics from all the ASEAN members, China, Vietnam, Taiwan and Laos. These workshops led to the 1992 Manila Declaration passed at a meeting of ASEAN foreign ministers in 1992. The Manila Declaration calls on all claimant countries to abide by the principles laid down in the ASEAN Treaty of Amity and Co-operation, rejecting the use of force, and jointly exploiting and managing maritime resources.


22. According to a confidential report compiled by the Hong Kong Marine Department, and obtained by the South China Morning Post, of nearly 200 acts of piracy committed between 1992 and 1995, nearly half were linked to armed Chinese customs, police or naval vessels. See “Hye Mieko attack triggers upsurge in piracy”, South China Morning Post, 28 June 1995.


26. In 1974 the PLA evicted South Vietnamese military forces from the Paracel Islands, and in 1988 a naval clash in the Spratlys involving warships from both countries resulted in the death of 74 Vietnamese sailors. Though no further military clashes have occurred between China and Vietnam after 1988, the two countries have pursued a “cat and mouse” strategy in the South China Sea by exploring for oil in areas claimed by the other side. See Ramses Amer, "The Territorial Disputes between China and Vietnam and Regional Stability", Contemporary Southeast Asia 19, no. 1 (June 1997): 86-113.


38. The Speaker of the Philippine House of Representatives, Jose de Venecia, one of the architects of the bill, said "There is no direct link between China's aggression in the Spratlys and our decision to appropriate money for military modernisation, but let's just say it accelerated the process". Financial Times (London), 24 July 1995.


40. The equipment and operational capability of the AFP has improved little since 1995. A number of proposals were made to lease ships and aircraft from the United States or to buy second-hand equipment from other countries. However, so far, the Philippines has only purchased three off-shore patrol vessels from Britain, previously stationed in Hong Kong, and a small number of second-hand F-5s. For proposals to lease or buy second-hand U.S. equipment, see "House body wants military to lease warships from U.S.", Business World (Philippines), 15 May 1997; and Defense News, 9 June 1997. On the purchase of the three off-shore patrol vessels from Britain, see Jane's Defence Weekly, 20 August 1997.

41. On his arrival in Manila, Ramos said; "The Chinese government, through President Jiang, said they would shelve the conflict and join in the peaceful development of the islands in the South China Sea ... We were given the assurance that China would not use her economic strength for the purpose of aggression and harassment, and we are very appreciative of that statement". "Ramos reassured on Spratlys issue", South China Morning Post, 28 April 1993.

42. The full text of the statement read as follows: "We, the ASEAN Foreign Ministers, express our serious concern over recent developments which affect peace and stability in the South China Sea. We urge all concerned to remain faithful to the letter and spirit of the Manila Declaration on the South China Sea, which we issued in July 1992 and which has been endorsed by other countries and the Non-aligned Movement. We therefore call upon all parties to refrain from taking actions that destabilize the region. We specifically call for the early resolution of the problems caused by recent developments in Mischief Reef." "ASEAN Ministers Express Concern Over Spratlys", Reuters News Service, 18 March 1995.


46. Straits Times, 7 April 1995.

47. "ASEAN will not raise Spratlys issue collectively", Straits Times, 23 May 1995.


50. The Chinese Foreign Ministry stated; "China is ready to work together with the countries concerned to resolve appropriately the relevant disputes according to the recognised international law, the contemporary law of the sea including the basic principles and the legal regime defined in the UN convention". "China says ready to solve Spratly dispute by law", Reuters News Service, 30 July 1995.


52. "China backs further dialogue but proves wary about change", Bangkok Post, 14 June 1996.

53. Pobre, op. cit.


56. Reuters News Service, 3 March 1992


60. Interview conducted with a senior AFP official, March 1998. The interviewee wishes to remain anonymous.


63. FEER, 6 April 1995.

64. Derek da Cunha has argued that the closure of U.S. signal intelligence gathering facilities in the Philippines had deprived the Pentagon of important intelligence gathering capabilities in Southeast Asia. See Derek da Cunha, "Nodding off -- U.S. presence in Asia-Pacific", Straits Times, 9 March 1995.

65. On 10 May, the U.S. State Department released the following statement:

The United States is concerned that a pattern of unilateral actions and reactions in the South China Sea has increased tensions in the region. The US strongly opposes the use or threat of force to resolve competing claims and urges all claimants to exercise restraint and to avoid destabilizing actions. The US would view with serious concern any maritime claim, or restriction on maritime activity in the South China Sea that was not consistent with international law. Unhindered navigation by all ships and aircraft in the South China Sea is essential for the peace and prosperity of the entire Asia Pacific region, including the US.


66. Ibid.


68. "ASEAN 'in best position' to defuse tension over Spratlys", Straits Times, 13 May 1995.

69. Ibid.

70. Congressman Gregorio Andolana remarked; "Ramos is raising the Chinese bogeyman to entice the Americans back and to provide the justification for the signing of the mothballed access and servicing agreement with the Americans" and the Spratlys was "a perfect pretext to lure the Americans back". "Ramos trying to get US military back, say lawmakers", Straits Times, 22 October 1995.

• 73. "Spratlys will show if China plays by the rules: Ramos", Straits Times, 8 May 1995.
• 74. Ibid.

TABLE 1

ASEAN Defence Spending, 1989-95

(In US$ billions)

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<td>0.212</td>
<td>0.258</td>
<td>0.268</td>
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<tr>
<td>Indonesia</td>
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<td>1.7</td>
<td>1.72</td>
<td>2.5</td>
<td>2.64</td>
<td>3.1</td>
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<tr>
<td>Singapore</td>
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<td>1.7</td>
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<tr>
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