This paper argues in favour of promoting economic cooperation in South China Sea as a means to reduce the notably rising tension among nations staking territorial claims and protecting their interests in the sea. As the potential for conflict in the sea increases, arising from adversarial posturing and hardline positions taken by several nations with interest in the sea, there is an urgent need to cool off the ‘political temperature’ and rally the conflicting parties to work on a common cause.

Abstract

This paper argues in favour of promoting economic cooperation in South China Sea as a means to reduce the notably rising tension among nations staking territorial claims and protecting their interests in the sea. As the potential for conflict in the sea increases, arising from adversarial posturing and hardline positions taken by several nations with interest in the sea, there is an urgent need to cool off the ‘political temperature’ and rally the conflicting parties to work on a common cause. An obvious choice for such a cause is economic cooperation, given the common needs for all nations, regardless of their political and strategic differences in South China Sea, to generate economic activities, use resources, conduct trade and live peacefully. This paper spells out the economic benefits that can be derived from engaging in joint economic cooperation in South China Sea, to the littoral states and to user states and other stakeholders. It explores the viability of the Joint Development Authority (JDA) model, taking a leaf from the success of several JDAs between countries with overlapping maritime claims, being applied to South China Sea to promote economic cooperation among the stakeholders. It recommends that Association of South East Asian Nations play a leading role in spearheading regional economic cooperation in South China Sea, given its experience and success in promoting several regional cooperative and capacity-building initiatives. While acknowledging the potential for the area to be mired in prolonged tension, the paper calls for the principal actors in South China Sea to set aside their differences and focus on plucking ‘low hanging fruits’ in the form of engaging in economic cooperation to build confidence and trust among them as a means to avoid conflict in the sea.
Strategic Sea Under Siege

The South China Sea is a sea line of communication (SLOC) of immense economic importance. It is a sea that facilitates a significant amount of regional and global trade, hosting some of the world’s busiest shipping lanes. These maritime passageways provide critical trade routes to the transportation of a significant volume of global seaborne trade and a lifeline for East Asian economies which depend on energy imports from the Middle East. South China Sea has shaped the development of the region’s history, hosting the movements of people and trade that have significantly influenced the course of civilization and political and socio-economic developments in the South China Sea region.

The strategic location and rich resources of the sea generate plenty of economic activities that provide a crucial source of revenue to its littoral nations and employment to many people residing along its coasts. Further underscoring its importance, it is estimated that South China Sea facilitates the movements of over half of the world’s oil tanker traffic and over half of its merchant vessels (by tonnage) annually. This enormous maritime expanse is also rich in biodiversity, estimated to host 30% of the world’s coral reefs, and contains rich deposits of hydrocarbon energy.

South China Sea is also a body of water of tremendous geo-strategic and geo-political importance. It hosts complex interplays of many interests and perspectives, and is a theater of great interest for the littoral states and regional and external powers. It is therefore not surprising that the sea is the subject of keen global attention. Evident of this is multiple territorial disputes over certain parts of the sea involving several nations. No fewer than 10 nations have staked their claims on parts of the Spratlys Island, believed to be an area with prolific energy deposits and fertile fishing grounds.
Recent events involving key stakeholders in South China Sea have increased the temperature in the sea. They include the incident involving the US Navy ship *Impeccable* and Chinese vessels in March 2009;

[6]
the spat between China and Japan over the islands referred to by Japan as Senkaku and by China as Diaoyu (September 2010);

[7]
the pronouncement by Beijing that South China Sea is a subject of ‘core interest’ of the world’s most populous nation (July 2010);

[8]
and strong expressions by US of safeguarding its strategic interests in South China Sea (October 2010) which alarmed China.

[9]
The uncompromising stance and belligerent approach of some nations in staking their claim in South China Sea could threaten peace, prosperity and stability in the waters and in the region. This is certainly not helpful in creating conducive environment for economic activities to be pursued in the sea and for its stakeholders to benefit optimally from its features and the riches that South China Sea provides.

Drowned amid the clutter of claims and counterclaims in South China Sea; the aggressive displays of power projection - and the unabashed assertion of interests, influence and supremacy by several principal actors in the sea - is the discussion of the economic potential of this resource-rich body of water. Little attention has been given to explore the virtue of economic cooperation among the stakeholders [10] in South China Sea as a means to promote peace, prosperity and stability in the sea. Media columns reporting on South China Sea are dominated by news of conflicts and confrontations, and very little on economic cooperation among its stakeholders.

This paper aims to outline the economic potential that can be derived from the strategic location and enormous riches of South China Sea. It identifies areas for cooperation in South China Sea that the littoral states can jointly pursue and recommends a mechanism to facilitate this. It is hoped that the quick canter on the subject could contribute positively to the discourse on the subject and inspire the stakeholders to set aside their geo-political and geo-strategic differences and focus on collaborating on their common economic interests to reap the economic opportunities so richly provided by this mighty sea.
All for one, one for all: promoting economic activities in the South China Sea, by Nazery Khalid

Written by tuan anh
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