

US Failed to Turn the Philippines Against China Despite Maritime Demarcation Issues

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Cooperation between China and the Philippines could easily be hindered by U.S. interference in territorial disputes in the South China Sea. Washington wants to exploit Chinese-Filipino contentions in their demarcation claims over the South China Sea in an attempt to pressurize and contain China's growing influence in Southeast Asia. However, despite Washington's desire to steer the Philippines away from China, the two countries are currently negotiating joint oil and gas exploitation in the South China Sea and the Philippines' energy urgency could be a powerful driver for the two sides to finally reach an agreement.

Forum Ltd., a subsidiary of one of the leading energy groups in the Philippines – PXP Energy Group, is negotiating with the China Offshore Oil and Gas Corporation (CNOOC). According to Reuters, PXP said that the parties have not reached an agreement yet. Although an agreement has not yet been made, to date CNOOC is the only foreign company asked by the Filipinos to become a potential participant in joint oil and gas exploitation in the South China Sea. This occurred after Filipino President Rodrigo Duterte approved on October 15 the lifting of the suspension on oil and gas exploration in the South China Sea that has banned since 2014 by decision of former President Benigno Aquino.

Filipino Energy Minister Alfonso Cusi stated that the decision to lift the ban was made by taking into account the outcome of negotiations between the Philippines and China on the demarcation of the South China Sea, as well as between Forum Ltd and CNOOC. Cusi did not give details on the bilateral negotiations but on October 10 there were talks between Chinese Foreign Minister Wang Yi and his Filipino counterpart Teodoro Locsin in Dang Chong City in China's Yunnan Province. It is likely that the two ministers have given approval for energy cooperation. According to the official announcement, Yi confirmed China's interest in developing cooperation within the framework of large-scale bilateral projects. For his part, the Filipino Foreign Minister declared his readiness to cooperate with China to maintain peace and stability in the South China Sea.

Therefore, despite U.S. attempts to push Southeast Asian states away from China, the Philippines have a good opportunity to develop energy cooperation and joint exploitation of oil and gas in the South China Sea. The Philippines is currently looking for new sources of oil and gas. They cannot satisfy their domestic needs with already available resources. Manila has to import energy, which is a major burden on their budget.

Negotiations first began in 2016 after Duterte took office, but no agreement has been reached. The COVID-19 pandemic has heavily affected the Filipino economy, just like most other countries around the world. Resources are always necessary, especially in times of

crisis. Under these conditions, the parties can be willing to make real concessions and real compromises to exploit the common oil and gas on the continental shelf.

China is aware that the Philippines urgently needs oil and gas, and there are about 30 drilling projects in the Exclusive Economic Zone of the Southeast Asian country. Philippine Star newspaper reported that in addition to PXP Energy Corp., there are also other well-known companies such as the Philippine National Petroleum Corporation and Udenna Group, who are also looking forward to oil and gas exploration in the South China Sea after Duterte lifted the ban.

The Manila Bulletin notes that 99% of the country's crude oil needs are met by imports. In addition, the Malapaya gas field, one of the very few functioning resource fields currently being exploited by the Philippines, will be depleted within a few years. As early as 2024, gas production from this offshore field will begin to decline. With this decline, Manila will be more desperate to finalize agreements for the exploitation of oil and gas.

It is with this that Washington will likely become more assertive against the strengthening ties between the Philippines and China.

Duterte has already built a reputation for his outbursts against both the U.S. and China, especially as he mostly pursues an independent foreign policy. At the same time, Washington is directly interfering in regional affairs by condemning Chinese claims in the South China Sea and [arming Taiwan](#). The Duterte administration is ready to take steps to facilitate the negotiation process between China and the Philippines on energy cooperation in the South China Sea. In spite of U.S. threats an agreement of strengthening cooperation with China will be a testament to the independent foreign policy of the Duterte administration, and Beijing will certainly welcome this stance.

Last month, U.S. Deputy Defense Secretary Stephen Biegun said that Washington wants the defence relations with India, Japan and Australia – known as “the QUAD” – to serve as something resembling an Asian NATO. Although for now the QUAD comprises of the U.S. and the three countries it considers its closest allies in the Indo-Pacific region – India, Japan and Australia – the US Department of Defense hopes that some Southeast Asian countries, mainly those that have territorial disputes with China, particularly the Philippines and Vietnam, will join the QUAD, and contribute financially and materially to the overall military structure.

Though China and the Philippines still have outstanding maritime demarcation issues, especially since Beijing refuses to accept the verdict of the Permanent Court of Arbitration which ruled in favour of Manila and determined that Beijing has “no historical rights” based on the “nine-dash line” map, they both acknowledge the gravity of greater U.S. intervention in the region. The Chinese and Filipinos are still able to cooperate and create mutually beneficial agreements despite differences over the demarcation of the South China Sea, demonstrating that Washington has not been able to exploit this vulnerability in Beijing-Manila relations.

The US under the previous administration of Barack Obama condemned the Philippines for its heavy handedness approach in dealing with narcotic issues, which severely hampered bilateral relations. This was seen by Duterte as a direct interference into the domestic affairs of his country and soured relations. Although relations have been more cordial with President Donald Trump, the reality is that new administrations always come and go in

Washington, meaning there is an inconsistent policy towards the Philippines.

From Manila's perspective, the Chinese Communist Party leadership in Beijing is consistent, and with this it is easier for ties to be built upon and be maintained despite some issues needing to be resolved. Duterte would not be interested in joining U.S.-led efforts to contain the growing influence of China as Beijing does not interfere in the internal affairs of his country. China also offers tangible initiatives to help develop Filipino infrastructure and grow the economy. By joining an alliance aimed against China, such as the QUAD, the Philippines has more to lose by risking economic relations with China rather than what it supposedly gains security wise by aligning with Washington.

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