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“Conceptualizing “Internationalization” in International
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For my family – in heaven and on earth.

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When I started to think about a topic for my M.A.-thesis, I was pretty keen to exclude one particular subject: The South China Sea conflict. There was just too much going on there: Seven littorals with different capabilities and interests. A bullying China, a declining vigilante United States, a reinvigorated Japan and a “looking East” India. Mixed into this are the national security concerns of six small and medium sized powers, and Canberra. They are all gathering together in this geopolitical and geo-economical important region of the world. There was no way I would step into this mischief. And yet, 12 month later I hand in this thesis, aiming to overcome the general black and white picture of the world that the majority of International Relations scholars still like to draw. The South China Sea conflict, I got to know, present an illustrative example that challenge several of the dominant paradigms and propositions in International Relations Theory. Neither does the South China Sea littorals’ engaged in balancing the rise of China nor does they bandwagon with Beijing. In addition to this, the United States, which represents the most important extra-regional actor in Southeast Asia, is likewise seen with some conspicuousness regarding its true intentions and capabilities once the chips are down. Rather contrary, the littorals are keen to entangle as much powers as possible, and engaged in the internationalization of a series of issues. Exploration and exploitation is one such issue. To bypass the shortcomings a conventional neorealist or neoliberalist analysis of the South China Sea conflict would include, my aim was to focus particularly on the empirical evidence. For this reason an empirical framework was generated that assessed the level, form and effect of internationalization. The idea was to avoid a one-sided theoretical bias for the sake of presenting a more comprehensive picture of the internationalization efforts by Vietnam and the Philippines that is not restricted to any single theory. As this has already sparked wide debate, this thesis is my contribution to it and I hope to initiate a process that not only considers internationalization as an important aspect in international relations but also is perceived as a plea for more empirical foundations. If I do not hand it now, I certainly would complete the most parts of this thesis – but that is for my future research.

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LIST OF ABBREVIATIONS

ARF	-	ASEAN Regional Forum
ASEAN	-	Association of Southeast Asian Nations
BP	-	Beyond Petroleum
CBM	-	Conflict Building Measures
CNOOC	-	Chinese National Offshore Oil Company
COC	-	Code of Conduct
DOC	-	Declaration on the Conduct of Parties in the South China Sea
DOE	-	Department of Energy, the Philippines
E&E	-	Exploration & Exploitation
EEZ	-	Exclusive Economic Zone
EIA	-	Energy Information Administration
Eni	-	Ente Nazionale Idrocarburi
EU	-	European Union
HYSY-981	-	<i>Hǎiyáng shíyóu 981</i>
i.e.	-	in especially
IR	-	International Relations
IRT	-	International Relations Theory
ITLOS	-	International Tribunal for the Law of the Sea
JMSU	-	Joint Maritime Seismic Undertaking
KUFPEC	-	Kuwait Petroleum Corporation
MOIT	-	Ministry of Industry and Trade, Vietnam
MoU	-	Memorandum of Understanding
MSR	-	Maritime Silk Route
ONGC Videsh	-	Oil and Natural Gas Corporation Videsh
PERC	-	Philippine Energy Contracting Round
PNOC	-	Philippine National Oil Company
PNOC-EC	-	Philippine National Oil Company Exploration Corporation
PSC	-	Production Sharing Contract
RSC	-	Regional Security Complex
PTTEP	-	Petroleum Authority of Thailand Exploration and Production
PVEP	-	PetroVietnam Exploration Production Corporation
PVN	-	PetroVietnam
RSCT	-	Regional Security Complex Theory
SC	-	Service Contract
SCS	-	South China Sea
UN	-	United Nations
UNCLOS	-	United Nations Convention of the Law of the Sea
VFA	-	Visiting Force Agreement

INTRODUCTION

The South China Sea¹ (SCS) is home to one of the world's most important trade routes, seeing nearly 50% of global merchant and energy trade passing through the maritime space between the Strait of Malacca and the Strait of Taiwan (EIA 2013a). This maritime space is bordered by seven nations (hereinafter referred to as the littorals): China and Taiwan in the North, the Philippines in the East, Brunei, Malaysia and Indonesia in the South, together with Singapore in the Southwest, and Vietnam in the West.² With the exception of Indonesia, all littorals have territorial disputes in the South China Sea, particularly with China. This dispute revolves around several islands, rocks and shoals, and is a competition for the natural resources of the region and its vital *Sea Lanes of Communication*. Having failed on numerous occasions to settle the territorial disputes and the relatively imprecise regulation and implementation of the *United Nations Convention on the Law of the Sea* (UNCLOS), competition between the littorals have grown fiercer and the actions set by the littorals became more severe in the past four decades.

On January 23, 2013, the Philippines (*Republika ng Pilipinas*) set a bold move to internationalize its South China Sea' territorial disputes with China (*Zhōnghuá Rénmín Gònghéguó*) by submitting its case to the *International Court of Arbitration* at The Hague (Batongbacal 2015). While a ruling is expected between the end of 2015 and the beginning of 2016, depending on the interpretation of the result by Manila (*Maynilà*) and Beijing (*Běijīng*), this move can have significant effects on the region. Other countries could follow the Philippine example and individually submit a similar case to the court. While Vietnam (*Cộng hòa Xã hội chủ nghĩa Việt Nam*) is preparing a legal case, so far it regards this as a mean of "last resort" (International Crisis Group 2015: 22). In addition to this, the Philippines could use the ruling to increase the attention for the country's struggle with an aspiring country. A positive ruling, which would be in favor of the Philippine claim, is likely to challenge China. As Beijing is keen to become a full member of the international community, acknowledging the ruling of the international courts is a decisive feature to fulfill this desire. While this rather reflects "positive" effects for the Philippines, internationalization can also increase the level of provocation in the region. In this context, China is keen to highlight that internationalization of disputed territory is against the basics of the *Declaration on the Conduct of Parties in the South China Sea* (DOC), signed in 2002, which calls upon the littorals 'to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability' in the South China Sea (DOC 2002).

Invoking international courts and organizations, however, is only one form to internationalize the dispute. Another issue where internationalization is similarly effective is the exploration and exploitation of the energy resources in the South China Sea. Since the first oil and gas deposits were discovered in the mid-1970s, the littorals have been engaged with foreign companies to survey and produce these deposits. This cooperation was necessary to provide the several national oil and gas companies that came into being at this time, with the relevant technological knowhow and expertise. Since then, internationalizing the exploration and exploitation activities became a regular business. Essentially, beside the techno-economical rationales of this cooperation, the aim of internationalizing the exploration and exploitation of the energy resources is to increase the number of states who have an economic stake in the region, constraining unilateral actions by any other state.

The argument in favor of internationalization is simple: By cooperating with states from the region, international firms acquire an interest in the national offshore oil and gas sector. This interest will restrict other littorals' assertive behavior towards exploration and exploitation spots, particularly those

¹ While acknowledging the different descriptions of the South China Sea and its numerous islands, shoals, rocks and reefs by

² For differing definitions see Chakraborti (2012: 285); Gao and Jia (2013: 99); EIA (2013a); Hossain (2013: 108); Puri and Sahgal (2011: 437); and Simon (2013: 996).

within disputed territory, because it would result at least in diplomatic resentment. At the same time, acquiring an economic stake in the region could also be used as a justification of an extended physical presence by the cooperating state, particularly if a state-owned company owns the stake. In 2014, Vietnam and India's *ONGC Videsh* signed several agreements that provoked a concerning response by China (Dasgupta 2014). Additionally, India already signaled in 2012 that it sees its economic interests in the South China Sea region as a vital national interest (Sandeep 2012). Contrary to the case of India, the withdrawal of *British Petroleum* (nowadays *Beyond Petroleum* or simply BP) in 2009 illustrates a counterargument to the essence of internationalization (Jenny 2014). Although this withdrawal was publicly justified by techno-economical reasons, it is assumed that a strong influence from China was the driving force for BP's retreat from the region. Whereas both examples are so far rather unique, the argument remains valid that internationalization has significant impacts on the national and regional security dynamics. While it seems obvious that the major rationale for internationalization is China's assertive behavior in the region, it would be shortsighted to limit the underlying security considerations particularly to China. Australia's primary concern, for example, is Indonesia, given its close geographic proximity to the country and its increasing capabilities.

Against this background, the thesis initially intended to analyze the buzzword *internationalization* in the context of Vietnam's and the Philippines exploration and exploitation activities. The focus on this particular aspect is simple. It is an area where cooperation in one way or another is necessary and which provides a rather informal way to engage foreign firms and countries in the regional affairs, without looking for strong justifications of the increasing entanglement. Having soon recognized the general interest in the link between internationalization of energy cooperation and security considerations, the research was soon delayed by the non-existence of comprehensive concepts of internationalization. This is disturbing given the actual attention paid to the energy resources and cooperation in the region (Buszynski 2007, 2010 and 2012, Blazevic 2012, Graham 2014, Hong 2010, Perlez 2012 and Zandoli 2014). Moreover, being linked to issues of security, International Relations Theory so far has failed to acknowledge internationalization as an individual subject of analysis. This is again disturbing, taking into account that central concepts such as *bandwagoning*, *balancing*, *buck-passing*, or *cooperation* refer to internationalization (Keohane 1984, Mearsheimer 2001, Waltz 1979 and Walt 1987). This backdrop led soon to the formation of the thesis' general motivation: *The conceptualization of internationalization in the field of international relations*. Developing such a conceptualization includes a general understanding of the issue, a refined definition of internationalization and an empirical framework. This framework is necessary, as the applied approach is heavily based on the empirical evidence. In this context, it is important to assess the level, the form and the effects of internationalization. Based upon this assessment an analysis of the implications on the national security and regional security dynamics can be conducted.

For the purpose of testing the conceptualization and understanding the implications of internationalizing the energy exploration and exploitation activities, the Philippines and Vietnam provide an illustrative case study. Both countries have vital economic and political interests in the South China Sea, territorial disputes with other littorals and maintenance of longstanding energy cooperation with foreign firms. Moreover, both countries South China Sea strategy contains several elements of an enmeshment strategy, aiming to avoid taking sides of either the United States or China by entangling as much outside powers as possible in a series of national affairs (Goh 2008 and 2013). Internationalization in this regard is one important element of this strategy, which contradicts classical assumptions on balancing and bandwagoning, as the majority of Southeast Asian states appear to avoid both.

Thus, the overall objective of this thesis is to present a *first-of-its-kind* conceptualization of internationalization that aims to assess what the Philippines and Vietnam are actually doing and how

this can be interpreted in regard to national and regional security dynamics. Two research questions will guide this process.

The *first* research question addresses the issue of internationalization in general. Its aim is to highlight the rationales for Vietnam and the Philippines to internationalize their exploration and exploitation activities, and to generate the basic knowledge necessary to engage in a security analysis. The thesis has chosen to start its assessment in 2002, the year the DOC was signed. As already mentioned, this declaration called upon all littorals to restrain from actions that would provoke tensions in the region. Therefore, the unilateral management of exploration and exploitation spots, especially those within disputed territory is likely to cause diplomatic displeasure among the littorals.

Research Question I: Why and in which form have Vietnam and the Philippines internationalized their energy exploration and exploitation activities in the South China Sea since 2002?

The *second* research question will analyze the implications of the internationalization efforts on the national security of Vietnam and the Philippines, as well as the regional security dynamics. The decisive feature in this regard is the number of stakeholders active in the region. Moreover, this discussion shall outline specific features that affect the impact of internationalization, including among others the owner of the company that acquired the stake in the region, the scope of stake, interest of the cooperating firm and country in the region.

Research Question II: Which effects had the internationalization on the security situation of both countries and the wider South China Sea region?

To address the two questions, the thesis needs to generate a sufficient theoretical knowledge and an appropriate methodological understand. The former is outlined in *Chapter 4*, when the two major theories in the field of international relations, neorealism and neoliberalism, are presented. In addition to this, the Regional Security Complex Theory (RSCT) is presented. This theory provides several concepts and terms that will help to generate the empirical framework and to establish a redefined definition of internationalization. Particularly with respect to assessing the level of internationalization, the RSCT provides a refined distinction between the regional and global level. This distinction is based upon the differing arrangement of the world in a series of regional security complexes. The methodology is outlined in *Chapter 6*. It is important to mention that this thesis will pay close attention to the empirical evidence. In this context, rather than outlining a certain theoretical understanding of internationalization, the analysis is guided by the assessment of the empirical data. This “Empirics First” approach is profoundly argued in *Chapter 5*. The aim is to avoid a theoretical bias, which seems to have produced several shortcomings in the analysis of security issues in the South China Sea conflict.

Despite all efforts and academic diligence, the thesis at hands has to face at least two caveats. *First*, given the still rudimentary development of individual theoretical understandings and empirical frameworks to analyze internationalization, this thesis can merely contribute to initiate a development towards the generating of refined conceptualizations. The thesis is convinced that internationalization should matter more as an individual subject in the study of security and international relations, and the South China Sea conflict is an apt research case to address this issue. Moreover, especially with respect to the research on “enmeshment”, internationalization is a vital element of this strategy. In this context, what the thesis in hand can and is poised to achieve, is an empirical approach towards the study of internationalization. Hence, an in-depth theorization has to be left out for future research.

The *second* caveat refers to an overestimation of the link between internationalization and security. As already mentioned, techno-economic aspects remain likewise important in explaining the efforts by the Philippines and Vietnam. In addition to this, several features are likely to determine how states will engage in the economic stakes of its private and state-owned companies. However, the thesis will be diligent in emphasizing such pitfalls and including them in the discussion if necessary. Despite these caveats, the analysis will present a strong claim in acknowledging internationalization as an individual aspect in security considerations.

The thesis in hand is organized into three parts. *Part one* will introduce the general context of the South China Sea (*Chapter 1*), including a brief historical description, the oil and gas resources of the region, and the claimants and its justification. *Chapter 2* presents the existing literature on the South China Sea conflict. This shall provide the reader with the basic context of the South China Sea dispute and locates this thesis within the academic spectrum. Proceeding on from there, *part two* will outline the exploration design. This includes the presentation of the two research questions (*Chapter 3*) and the major assumptions of the neorealist and neoliberalist paradigm (*Chapter 4*). Furthermore, this chapter outlines the central aspects of the Regional Security Complex Theory, which will be used to defined and generate the framework of internationalization (*Chapter 6*). Before the empirical framework is presented, a general discussion will highlight the rationales for the applied approach (*Chapter 5*). Having set the basics of the analysis, *part three* will assess the internationalization efforts by Vietnam and the Philippines (*Chapter 7*) and discusses the most significant findings (*Chapter 8*). A final résumé will conclude this thesis.

PART I – THE SOUTH CHINA SEA DISPUTE

CONTEXT AND ACADEMIC RESEARCH

CHAPTER 1: THE SOUTH CHINA SEA CONFLICT – HISTORICAL CONTEXT, OIL AND GAS RESOURCES, AND THE LITTORALS' CLAIMS AND JUSTIFICATIONS

Writing a brief but comprehensive introduction on the South China Sea dispute³ is anything but easy. It is a complex subject that includes several actors with numerous interests and causes for conflict, including among others the region's fishing resources, oil and gas deposits and the specter of nationalism. The issue is complicated, because historical arguments, presumptions and estimations dominate the debate and any attempt to settle the disputes has yet been failed due to multiple reasons, thus, the situations remains foggy. Although those reasons are abundant, the reluctance of the littorals to fully implement the United Nations Convention on the Law of the Sea or to agree on a specific regional agreement is among the most problematic and challenging reasons. To provide the reader with a golden thread for this chapter: The thesis will *first* touch upon the historical background of the dispute, starting at the Cairo Conference in 1943 and cover the most important developments until the time of writing in mid-2015.⁴ Thereafter, the thesis will outline the claims and justifications of the South China Sea littorals. In the last section of this chapter, the focus turns towards the primary subject of this thesis and presents the energy dimensions of the South China Sea and the role of internationalization. This procedure shall provide the reader with a core understanding of the South China Sea conflict.

1. From the Cairo Conference in 1943 to the 2015 Shangri-La Dialogue

The major rationale for conflict in the South China Sea is the unresolved territorial issue between the several littorals. Thus, it is worth to start with an alternative inquiry on the matter of territoriality in the region. The notion of borders and territory in Asia in general, and Southeast Asia in particular is a rather young development that has not occurred before the arrival of Western⁵ powers in Asia (Hayton 2014; Kang 2010). This does not imply the absence of centralized states and territorial rule in Asia but points to a differing understanding of “state” compared to the one that has been evolved in Europe in the aftermath of the 1648’ *Peace of Westphalia* (Kang 2010: 25). More particularly, according to Hayton’s (2014: 27) inquiries, Southeast Asia has been dominated by a series of *mandalas*⁶ until at least the 16th century.⁷ These mandalas have existed as early as the first century CE and reached their peak at the time of Champa (sixth to fifteenth century), Srivijaya (seventh to twelfth century) and of course Angkor (ninth to fourteenth century). Throughout these periods, China only rarely intervened in any form into the affairs of the mandalas due to the tributary system.⁸

³ I will use the terms dispute and conflict with the same meaning to provide a more enjoyable reading experience.

⁴ For a detailed historical analysis see Tønnesson (2001 and 2006).

⁵ By “Western” or the “West” I mean any region outside of Asia (including South, Southeast, and Northeast Asia as well as Russia as part of central Asia).

⁶ According to Lund (2003: 1), ‘*the mandala described the circle of kingdoms within which a ruler had to build relationships, in order to ensure the security of its own realm*’.

⁷ Kang (2010: 51) similarly concludes, ‘*Many scholars have described Southeast Asian kingdoms as borrowing their organization more from the Indian mandalas than from Chinese ideas about centralization and institutions.*’

⁸ In regard to the tributary system, Kang (2003a) argues that current concerns ‘over a strong China may be misplaced. Historically, it has been Chinese weakness that has led to chaos in Asia. When China has been strong and stable, order has been preserved. East Asian regional relations have historically been hierarchic, more peaceful, and more stable than those in

Moreover, all of these mandalas have existed rather as a fluid network without a clear notion of borders and territorial statehood than states in the sense of Western experiences (ibid: 29).⁹ Following this token into modernity, Hayton frames a rather unfamiliar picture compared to the Westphalian state system that emerged in Europe after 1648. In his view, the idea of formal borders, and certainly closely connected to this the creation of Southeast Asia as a specific socio-geographic region has not emerged and established until the Western colonizers reached Southeast Asia (ibid: 49).¹⁰ It started in 1529 when the Portuguese and the Spanish split the Philippines and Indonesia; in 1842 borders between Malaysia and Indonesia were almost managed to fix by the British and Dutch; in 1897 the French dictated the border between Vietnam and China; the broader frontiers of the Philippines were set in 1898 by the United States of America; and in 1930 the border between the Philippines and Malaysia was set by the United States and the British Empire (ibid: 47). While these events marked the demarcation of land borders, the maritime space was relatively untouched until the implication of the United Nations Convention on the Law of the Sea in 1994.¹¹

With respect to this historical examination, the Cairo Conference presents a comparably late hallmark of the notion of borders and territory in Asia. On November 26, 1943 the United States, the United Kingdom and the Republic of China, lead by Generalissimo Chiang Kai-shek (*Jiǎng Jièshí*), signed the *Cairo Declaration*, which was the first communiqué among the three leaders that ‘established directions for post-war Asia’ (Chen 2015) after Japan was defeated. Essentially,

‘Japan shall be stripped of all the islands in the Pacific which she has seized or occupied since the beginning of the first World War in 1914, and that all the territories Japan has stolen from the Chinese, such as Manchuria, Formosa [Taiwan], and the Pescadores, shall be restored to the Republic of China. Japan will also be expelled from all other territories which she has taken by violence and greed’ (Cairo Conference 2008).

While it not explicitly referred to the islands and space in the South China Sea, most littorals regarded the features in the Sea as *terra nullius*. Beijing, on the other side, immediately interpreted the declaration as a return of Japanese occupied territory back to the Chinese motherland, which has sacrosanct historical sovereignty over this maritime space. This argument was further strengthened by then Foreign Minister Zhou Enlai’s (*Zhōu Ēnlái*) statement that the People’s Republic of China has claimed complete sovereignty to the entire *Nánshā Qúndǎo* (Spratly¹² islands) and *Xīshā Qúndǎo* (Paracel¹³ islands) after Japan’s surrender in 1945 (Shen 2002: 99, Zewei 2014). This statement was issued in August 1951, just days before 49 countries signed the *Treaty of Peace with Japan*¹⁴ (September 8, 1951) in San Francisco. Absent from this signing were the three major countries of Asia: China, India and Russia (Baviera 2013).¹⁵

the West’ (Kang 2004: 66). For a detailed analysis about the wider implications of such a tributary system as a mean to bring “hierarchy” into the anarchic structure of the international system see Kelly (2011), Lake (1996 and 2011) and Wang (2004).

⁹ Kang (2010: 28) argues similarly when he points out that the ‘*Modern conceptions of national identity were certainly not in existence fifteen hundred years ago, and there was no eternal and unchanging concept of ‘China’ or ‘Japan’.*’

¹⁰ See Acharya (1999) for a detailed discussion of “The making and unmaking of Southeast Asia as a Region”.

¹¹ In regard to UNCLOS, the important articles related to the South China Sea conflict are Section 2 “Limits of the Territorial Sea”, Part V “Exclusive Economic Zone”, Part VI “Continental Shelf”, and Part VIII “Regime of Islands”, especially Article 121-3. For more information on the role of UNCLOS, particularly with respect to the ambitions of the United States and China in the region see Hossain (2013: 109-113).

¹² *Quần đảo Trường Sa* in Vietnamese; *Kapuluan ng Kalayaan* in Filipino

¹³ *Hoàng Sa* in Vietnamese

¹⁴ For the concrete treaty see <http://www.taiwandocuments.org/sanfrancisco01.htm>.

¹⁵ A separate peace treaty between India and Japan was signed in 1952; between the Republic of China and Japan in 1952; and between the People’s Republic of China and Japan in 1978. Talks with the Soviet Union and since 1991 with Russia have not been resulted in the conclusion of a peace treaty until today.

Zhou's statement, however, is one of the prime justifiers continuously presented since by the PRC to enforce its claims in the South China Sea, especially as virtually no protest by any other littoral or outside power was set against this it. Certainly, the real tragedy of the San Francisco Peace Treaty was its failure to address particular territorial issues concerning the islands and features in the South China Sea, whereby they could have provided an early solution to the conflict. As a consequence, disputes were allowed to evolve among the littorals. An early litmus test occurred in 1956 when the Filipino businessman Tomas Cloma claimed some land off the coast of Palawan and established Kalayaan Island (Freedomland). However, since Cloma's adventurous expedition, it took nearly two decades for the occupation period to occur and it is no coincidence that it appeared at the same time as oil and gas resources were explored for the first time in the South China Sea (Hayton 2014: 61).¹⁶

Several events highlighted the past four decades of rising tensions in the South China Sea. In 1971, Ferdinand Marcos ordered Philippine forces to seize three islands, marking the first skirmish between the country and China (ibid: 70).¹⁷ Just two years later, in September 1973, South Vietnam annexed ten of the Spratly islands (ibid: 71). Another year later, the intention by the People's Republic of China have become more assertive resulting in a skirmish¹⁸ with Vietnamese naval forces around Robert and Money Island in the Paracel archipelago (ibid: 74). In 1994, China and the Philippines went heads-on after Chinese forces occupied the apt-named Mischief Reef and started to build structures on the reef, which were not exposed by Philippine vessels until a year later (International Crisis Group 2012b: 2-6). Since 2009, competition between the littorals has grown fiercer, after Vietnam and Malaysia submitted its territorial case to the Commission on the Limits of the Continental Shelf (International Crisis Group 2015: 1; UN-I 2009).

Beijing responded to this submission by issuing a *note verbal* to the United Nations claiming its unquestionable sovereignty over its South China Sea claims (UN-II 2009). Added to this note verbal was the famous nine-Dash line (*Nánhǎi Jiǔduàn Xiàn*)¹⁹, which since then illustrates China's extended claims in the region. In 2011 and 2012, Chinese and Philippine forces went again one on one in the Reed Bank respectively the Scarborough Shoal (International Crisis Group 2015: 14-16). Two years later, in 2014, Beijing increased its assertive behavior towards Vietnam, when the Chinese National Offshore Oil Company (*Zhōngguó Hǎiyáng Shíyóu Zǒnggōngsī*) (CNOOC) deployed its oilrig *Hǎiyáng Shíyóu 981* (in the following referred to as HYSY-981) within the Vietnamese Exclusive Economic Zone, provoking tense protest in Hanoi (Hà Nội) and Beijing (ibid and Thayer 2014).²⁰ The latest issue that sprouted discontent among the littorals and the United States occurred in May 2015, when China issued seven warnings to a U.S. surveillance plan in the Mischief Reef area (Panda 2015).

This incident happened just days before the annually Shangri-La defense dialogue in Singapore, where U.S. Defense Secretary Ash Carter announced a new maritime security initiative (Parameswaran 2015b). Despite the intensity of these disputes, the 1994/1995 skirmishes at the Mischief Reef marked a quantitative and qualitative turning point in the SCS dispute as '*It mobilized ASEAN claimants to*

¹⁶ Chapter 3 of Hayton's book provides a particularly enlightening insight on the period when occupations became a more severe issue.

¹⁷ An interactive timeline of the South China Sea disputes and skirmishes is presented by the Center for a New American Security (2014).

¹⁸ It is actually very interesting that most authors refer to any kind of direct confrontation between any of the littorals as "incidents" or "skirmishes". Although, only in few circumstances military vehicles were deployed, the difference between getting ramped by a coast guard boat and a military vessel is rather symbolic.

¹⁹ Another name for the nine-dash line is U-shaped line. Originally an 11-dash line, the general map was introduced by the Kuomintang and then taken over by the Communist Party. The map was later reduced by two dashes to its current form, excluding the Taiwanese island (International Crisis Group, 2012b: 36). For further information on the validity of this territorial claim in regard to International Law see Miyoshi (2012).

²⁰ For further information see Manicom (2014).

pull together in response to China's occupation of a reef located well within the EEZ of the Philippines' (Snyder, 1996: 9). In this context, China's "creeping assertiveness" (Storey 1999) forced the other littorals to multilateralize the issue within the Association of Southeast Asian Nations (ASEAN) framework and to include more outside powers into the region (International Crisis Group 2012a: 7).

Let us first take a brief look on ASEAN. With respect to ASEAN, three features are important to mention: The 1992 ASEAN Declaration on the South China Sea, the Mischief Reef accident of 1994/1995 and the following call by the Philippines to bring the U.S. back in, and the 2002 Declaration on the Conduct of Parties in the South China Sea. The 1992 declaration, often referred to as the *Manila Declaration*, asked the littorals 'to exercise restraint' (Manila Declaration 1992), summoning them to cooperate in order to create a positive environment, which shall avoid to put further pressure on the Sea (ibid). Moreover, the *Manila Declaration* requested the littorals to settle all its sovereignty issues by peaceful means and advocated certain confidence-building measures (CBMs) such as safety of maritime navigation and communication, environmental protection, maritime surveillance, or disaster relief to initiate and strengthen cooperation among the disputants (ibid). The problem for the Declaration to become meaningful, however, was China's reluctance towards any multilateral negotiations of its territorial issues. Multilateralism, especially through channels such as the ASEAN Regional Forum (ARF), was perceived by China as an option that is prone to third-party interference, particularly by the United States and Japan (Buszynski 2003: 352). Hence, Beijing was keen to stress its priority on bilateral dispute solving mechanisms, inconsistently emphasizing the role of UNCLOS, as this would not only challenge the Chinese claims but any claim based upon historical justifications (ibid).

As China resisted any multilateral negotiations on the *Code of Conduct* (COC) in the aftermath of the 1992 *Manila Declaration*, the Philippines once again sought after the U.S. for support and signed a Visiting Force Agreement (VFA) in 1998 (ibid). Intended or not, this decisively changed the situation, as Beijing certainly had to accept that it overstretched their power and a more cautious and deliberate strategy had to be applied, if they wanted to avoid to push more ASEAN countries towards military cooperation with the United States (ibid: 354). The new Chinese strategy certainly contributed to the 2002 *Declaration on the Conduct of Parties in the South China Sea*, which mirrored the 1992 Manila Declaration but added the establishment of a legally binding *Code of Conduct* to act as a reference for the dispute among the littorals.²¹ Until the time of writing, only slow process has been made and the process is likely to continue at a creeping pace (Pal, 2013). Despite all diplomatic goodwill, one decisive reason why such little development has been achieved since 2002, is that the COC would threaten China's and, as I would add, any claiming state's interest (Tiezzi, 2014a). Moreover, the core premise for an effective COC is its legally binding status and joint-jurisdiction to monitor and punish any action against the COC.

Referring to the inclusion of outside powers, the re-emerging role of the United States since the mid-1990s occupies an outstanding position within the security considerations in Asia in general, and the South China Sea region in particular.²² This role culminated in the "pivot to Asia", or, as it is more accurate termed nowadays, the U.S. "rebalance to Asia" (Lieberthal 2014).²³ Leaving the question aside whether or not the United States were ever out of the region, let us focus on the six central features outlined by then Secretary of State Hilary Clinton (2011) in an Op-ed article in *Foreign Policy*.

²¹ For a recent assessment of the topic see Thayer (2013).

²² For the U.S. role in Southeast Asia see Goh (2005), Mauzy and Job (2007) and CSIS (2008).

²³ What exactly a "pivot" is remains unclear and as the recent debate about the right term in U.S. diplomatic circles shows, even in the country of origin it is widely unclear.

In this article, Clinton really took the biscuit and explained that the future of the United States, especially in terms of economic growth, rests in the Pacific realm. Hence, the uttermost interest of the United States is the strengthening of bilateral security ties, the deepening of the U.S. relationships with emerging powers, the engagement in regional multilateral institutions, the expansion of trade and investment, the forging of military presence, and the support in advancing democracy and human rights (ibid). Furthermore, she outlined three core principles of the Obama administration in order to update the relationships with their Asian partners and to deal with the challenges of a changing world: maintaining political consensus on the objectives of the existing alliances, ensuring that these alliances are strong and vivid, and guaranteeing the operational readiness of the defense capabilities and communication infrastructure of the alliance.

In regard to China's rise Clinton refused both views the China threat as well as the U.S. containment strategy. Instead, she emphasized the need and desire for cooperation and strong bilateral ties (ibid). However, we should not evaluate the U.S. pivot as '*an act of strategic philanthropy*' (Walt 2014), as '*it is rooted in U.S. self-interest, geopolitics, and America's longstanding desire to be the only regional hegemon in the world*' (ibid). It remains open to the future, whether or not the United States will stick to their allegiances once the chips are down (Yahuda 2013). Being restricted by socio-economic and political determinants, the leeway for the U.S. foreign policy is rather limited and countries like Vietnam or the Philippines are well aware of this catch-22 situation. Framing the situation for these countries more bluntly, there is an ascending China and opportunities to balance or socialize it towards common rules and norms are rare and it is getting more difficult to apply the stronger the Chinese grow in socio-political and military capabilities. On the other side, there are the United States with their current limitations to act decisively in the international realm. Hence, the littorals turn towards other states to improve their position within the region's continuum.

In this regard, three other countries have joined the U.S.' pivot in the region – India, Russia, and Japan. India's pivot occurred initially in 1991 when they announced its "Look East" policy (Kondapalli 2014; Moss 2012). Since then, ties on various dimensions and levels were drawn across Southeast Asia, including joint exercises with Indonesia, an established defense dialogue with Thailand, joint defense co-operation with the Philippines, and training of troops with Vietnam (ibid). Interestingly, according to Kondapalli (2014), all Indian governments have referred to this policy in regard to its approach towards Southeast Asia. The Modi administration, however, has significantly reinterpreted it and exerted an "Act East Policy". Contrary to this proactive position, the Russian pivot, which was outlined by Vladimir Putin and named as such in a speech at the International Economic Forum in St. Petersburg in June 2013, is '*not so much policy as talk*' (Hill and Lo 2013). The Russian government has been generally slow in diversifying its relationship within Asia, although a distinction must be made in regard to Russian-Vietnamese relations who have improved steady and resulted in the signing of a comprehensive partnership agreement and improved military ties between both countries (Blank 2012 and 2014).

The *third* important pivot power is Japan. Even though its natural interest in the region, a South China Sea oriented policy has only slowly emerged in recent years (Storey 2013). Taking into account the limitations set by the Japanese constitution, the future of the Japanese pivot depends doubtless on the reinterpretation of Constitutional Article 9 (subsequently simple Article 9) (Fatton 2014). Theoretically, the degree of action has increased through the recent review and it is most likely, that those Southeast Asian nations tend to refer to a partnership with Japan that are most affected by China's rise. '*In other words, the regional security architecture could be fundamentally redrawn in the coming years, transforming the American-led hub-and-spoke network of alliances into a more multipolar framework*' (ibid).

In this context, China has been an active advocate of preventing further involvement of extra-regional powers in the region's affairs, and it is no rocket science to assume that they will maintain this approach, particularly focusing on limiting the presence and influence of the United States and Japan in the region.

This brief picture of the South China Sea as a "pivot region" explains one decisive rationale why it is such a volatile region: It is the place where the United States and Russia²⁴ will be directly challenged by the aspiring powers India, Vietnam and above all China (Shambaugh 2008: 10-16). Energy resources might not be the *casus belli*, but subject of sever interest driven by considerations of energy security and great power thinking. Let us now focus more towards the claims and its justifications presented by the South China Sea littorals.

2. Claims and Justifications

Territorial conflicts have primarily originated around three hotspots: the Paracel and Spratly Archipelago and the Natuna Sea (Kaplan 2014: 171; Klare 2002: 229). The latter is the less disputed of the three hotspots, as Indonesia is not an assertive littoral in the dispute and China so far showed little interest in the southernmost tip of its controversial nine-Dash line. The Paracel Archipelago consists of roughly 30 features (islands, reefs, cays, and shoals) encompassing a total of 15,000sqkm (Blazevic 2012: 85). It is claimed by both Vietnam and China, but occupied completely by the latter (ibid). The Spratly Archipelago is claimed by Brunei, China, Malaysia, the Philippines, Taiwan and Vietnam. It consists of approximately 400 features, encompassing a total of 410,000sqkm (ibid). Of the littorals, China and Vietnam claim the entire archipelago, the Philippines about 60 reefs (among them the Kalayaan islands), Malaysia seven smaller islands and Brunei only a small portion that overlap with each other (Shen 2002: 97-98; Storey 1999). Guiding the claims of any littoral are two principles: first, effective occupation, and *second*, the United Nations Convention on the Law of the Sea (UNCLOS) (Buszynski 2012: 140).²⁵ Both principles, however, work against the claims made by the littorals. Particularly, UNCLOS is a challenge to historic justifications, as they have only little validity in international law.²⁶

The claims of the *People's Republic of China* are reflected by its nine-dash line, which covers about 80% of the South China Sea, including the entire Spratly and Paracel Islands (Blazevic 2012: 85).²⁷ China continuously justifies its extensive claims by historical facts that often date back as long as the Han Dynasty (206 BC – 221 AD). According to the Chinese historiography, they have been the first to map, name and explore the South China Sea (Sing 2012: 118-119; Shen 2002: 101-102). Skipping a couple of centuries of Chinese civilization, more recent historic events date back to the end of the 19th century. In 1887, an agreement with the French has left large parts of the Sea to Chinese sovereignty and in 1907, the Paracel Islands were slowly incorporated into Guangdong province (Buszynski and Sazlan 2007: 145).

²⁴ Russia is an ASEAN dialogue partner, thus member at the ASEAN Regional Forum, and it participates in the Asia-Pacific Economic Cooperation (APEC) (Cossa 2008: 324-325). Moreover, the analysis will present a significant economic interest in the region.

²⁵ According to Buszynski (2012: 140) '*Effective occupation entails an ability and intention to exercise continuous and uninterrupted jurisdiction, which is distinguished from conquest*'.

²⁶ According to Hossain (2013: 128), three elements of UNCLOS are of special concern in regard to the South China Sea, Articles 3, 55-75 and 76-77 of UNCLOS.

²⁷ For a legal assessment of China's historic claims see Malek (2013). According to the author's conclusion, '*China's historic claim over maritime areas (water column, seabed and subsoil, low tide elevations and submerged features) cannot supersede other coastal states' well established rights over its exclusive economic zone and continental shelf*' (ibid 2013: 34).

In 1992, the National People's Congress has declared the South China Sea as "Chinese territorial waters" (*Zhōngguó Lǐng Hǎi*) (Buszynski and Sazlan 2007: 151), thus lifting the Sea to the same level of significance as Taiwan, Tibet, and Xinjiang. The problem with the Chinese extensive claims is its inconsistency with UNCLOS, as most land features 'would likely not meet qualifications set by UNCLOS to serve as a base for EEZs and continental shelves' (International Crisis Group 2012b: 36).²⁸

Map 1 - The South China Sea Littorals and Their EEZs (Source: BBC 2015a)



In the same vein as China, *Taiwan* claims the historical territory of pre-1949 China (International Crisis Group 2012b: 11-13). Although they publicly proclaimed sovereignty over the entire South China Sea in 1993 and reiterated these claims in 2011, the effects of this proclamation are rather limited due to the "One China Policy"²⁹ (*Yī gè Zhōngguó Zhèngcè*) (International Crisis Group 2012b: 36). Nonetheless, *Taiwan* occupies the two largest islands in the Spratly's, Pratas and Itu Aba, and built numerous constructions on both of them (ibid).

To a certain extent, *Vietnamese* claims and justifications are similar to that of the People's Republic of China.³⁰ According to the origin myth, Vietnam was founded by the Dragon Lord Lac Long Qan (Lạc Long Quân) and the fairy Au Co (Âu Cơ) (Kaplan 2014: 59). Together they had 100 kids. Half of

²⁸ See Article 47, 48, 60-8, and Part VI "Continental Shelf" of UNCLOS.

²⁹ The "one-China" policy refers to the fact there exists only one "China", although two different governments claim to be the legitimate represent of it. According to the 1992 consensus, both sides of the Taiwan Strait, the People's Republic of China and the Republic of China, are able to define the "one China" in its own terms (1992-Consensus 2011).

³⁰ Vietnam refers to the South China Sea as *Biển Đông* (East Sea).

them went with the mother to the hills in the north; the other half went with the father to the Sea in the South. Having dominated the politics for decades, '*It is the father's legacy that now seems central to Vietnam's destiny*' (ibid). Vietnam claims both the entire Spratly and Paracel Islands without specifying the region more precisely, meaning that they have not defined their 200nm Exclusive Economic Zone from the Islands baseline.³¹ The Paracel became Vietnamese territory after unification by the Nguyen Dynasty (*Nhà Nguyễn*) in 1802 and the French have incorporated the Spratly Islands into Cochinchina (*Nam Kỳ*) in 1929 (Buszynski and Sazlan 2007: 146). Since then, Vietnam stresses its claims in this area, as they have exerted uninterrupted control and sovereignty over the Paracels throughout the Nguyen dynasty, the French colonization and the Republic of Vietnam (International Crisis Group 2012b: 37). Furthermore, the Vietnamese refer to a geographical manuscript from 1850 that explains how the Paracels belong to Vietnam, which is preserved at the Santa Maria del Monte church in Italy (Kaplan 2014: 60). Moreover, based on maps and books of the early 19th century, the Vietnamese claim to be the first state to discover and name the Spratly Islands (International Crisis Group, 2012b: 37). Unlike the majority of the littorals, Vietnam '*has not formally protested*' (Storey 2013) the Chinese 9-dash line, but '*declared that it has no legal basis*' (ibid).

The *Philippines* have occupied their first eight islands in 1878 (Buszynski and Sazlan 2007: 147). No further occupation occurred until Tomas Cloma claimed the Kalayaan Island Group (better known as *Freedomland*) in 1956 (Storey 1999).³² He transferred sovereignty to the Philippine government in 1974, and the islands were declared as Philippine territory in 1978 (International Crisis Group 2012b: 38). Since then, they have extended their claims on over 50 features in the Spratly Islands of which they occupy nine (ibid). Justifications of the Filipino claims are primarily based upon Cloma's exploration arguing that neither did the islands belong to anyone prior, nor are they part of the Spratly Islands (Sing 2012: 118-119). Hence, Cloma discovered *terra nullius*, which is one of the most contested justifications by any claimant (Snyder 1996: 5).

Malaysia occupied the Swallow Reef (or Layang Atoll) in 1983 and another two reefs in 1986 and 1999 (Buszynski and Sazlan 2007: 147). It claims features in the southern part of the Spratly's and since 2009 has occupied five of them (International Crisis Group 2012b: 38). Malaysian claims have emerged from a 1979 map called *Peta Baru* (New Map) '*which set out its continental shelf claim off Sabah and Sarawak states*' (ibid). However, Malaysia's interests in the Sea are rather weak in comparison to those of Vietnam and the Philippines, as it does not want to provoke any conflict with China (Kaplan 2014: 88). *Brunei* is the smallest of any claimant, occupying none of the islands (Sing 2012: 118-119). They claim two submerged features, Lousia Reef and Rifleman Bank, and extend its EEZ around these features (International Crisis Group 2012b: 38). Therefore, the Bruneian claim overlaps with that of Malaysia, Taiwan, China, Vietnam and the Philippines (ibid). However, they do not maintain any military presence in the Sea. *Indonesia*, although not claiming any parts of the South China Sea, is directly affected by the Chinese and Taiwanese claims as they extend into Indonesia's EEZ, including the Natuna gas field (Sing 2012: 118-119). Therefore, Indonesia has a strategic interest in the South China Sea conflict and should always be included as a littoral.

3. Oil and Gas Resources: Reserves, Estimations and Prospects

The South China Sea hosts a series of emerging and established global economic powerhouses, energy consumers and importers. The pivotal concern for each littoral and the countries that lay on the outset and beyond the Sea are the vital sea lines of communication that run from the Strait of Malacca

³¹ The baseline '*for measuring the breadth of the territorial sea is the low-water line along the coast as marked on large-scale charts officially recognized by the coastal State*' (UNCLOS, Article 5).

³² The Philippines refer to the South China Sea as *Dagat Kanlurang Pilipinas* (West Philippines Sea).

through the South China Sea to the Strait of Taiwan and beyond to the East China Sea (Bajpae 2005; EIA 2013a). The energy resources of the Sea have already produced severe tensions since its first exploration in the mid-1970s and are likely to continue to do so, ‘*should significant undersea resources be discovered in the South China Sea*’ (Ueno 2013: 10). There is a widespread debate about the real quantity of oil and gas resources in the South China Sea.³³ While Chinese sources estimate over 100 billion barrels (Bbl) in the Spratly archipelago and another 100 Bbl in the rest of the Sea, surveys conducted by the U.S. Energy Information Administration (EIA) present diametrically opposite assumptions. According to a recent EIA (2013b) survey, the SCS contains less conventional hydrocarbons than the Chinese sources suggest. Moreover, most of these resources lie in undisputed territory or areas that are difficult for exploitation, increasing the costs for extractions significantly (ibid). According to the EIA’s higher-estimations, the Sea contains about 11 Bbl of oil and 190 trillion cubic feet (Tcf) of gas in the South China Sea.

Although particular areas are underexplored, meaning that there remain certain chances to explore further deposits, it is more likely that the SCS will equal Europe rather than the Persian Gulf in regard to its oil and gas resources (ibid).³⁴ There are more significant resources of gas than oil in the Sea (Table 1), and while the majority of it lies in the area around the Spratly Islands, the Paracel Archipelago hold no significant oil and gas deposits (ibid). In regard to oil deposits of the South China Sea, Malaysia and Vietnam hold the largest quantities of it. Nevertheless, expectations exist that the point of “peak oil”³⁵ has already been reached in the latter. The question that arises now is to which extent the resources of the South China Sea are a key-driving factor steering up the conflict.

Table 1 - Estimated Oil and Gas Resources (Own Depiction; Source: EIA 2013b)

Country	Estimated Oil Resources (in BBL)	Estimated Gas Resources (in Tcf)
Brunei	1.5	15
China	1.3	15
Indonesia	0.3	55
Malaysia	5	80
Philippines	0.3	4
Vietnam	3	20

³³ It should be noted that estimations always depend on a series of factors, including for example the price of oil and gas at the world market or technological development. These factors decisively influenced the interest in exploring potentials of particular reasons and the feasibility of exploiting them. Hence, once the oil price is back on levels where it is cost-efficient to extract even the most difficult sources of oil, the numbers will shift again.

³⁴ Chinese media have continuously referred to the resources of the South China Sea as a ‘second Persian Gulf’ (Grätz, 2013). To which extent this estimation holds true depends on further explorations. Zandoli (2014) suggest that less than one-third of the South China Sea has been explored yet, leaving ample room for further discoveries.

³⁵ According to the online glossary *Investopedia*, the term refers to a peak in ‘*crude oil production, whereby following this day, production rates will begin to diminish*’ (Investopedia 2015). Similar to this, Raphael and Stokes (2010: 381) have defined peak oil as the point ‘*whereby the discovery and exploitation of new oil reserves will no longer match or exceed the decline in production levels from existing reserves, thus leading to an overall decline of production.*’

A comparison with the Gulf of Mexico will help to enlighten us. Although there are no territorial conflicts in the Gulf,

‘the US takes a proprietary approach to developments in the Gulf. Interference that prevented its ability to access the Gulf’s substantial energy resources would be cause of great harm to the US economy and great concern to the US government. Likewise, the short distance of the Gulf’s resources from the US coast has a strategic dimension not only due to lower transportation costs but also to a less vulnerable supply line in the case of outside interference. In a similar though more complicated historical and political context, the role of physical proximity adds a powerful dimension to how the disputant states value the energy in the South China Sea’ (Zandoli 2014).³⁶

In this context, current policies in regard to the South China Sea have *‘little to do with extracting oil and gas in the disputed areas [...] [But] serves more as an expensive political statement’* (Brackets added; Jenny 2014). CNOOC’s oilrig HYSY-981 is one such statement. Withdrawn one month earlier than expected, the deployment of the oilrig is rather an expression of Chinese technological progress and capability to exploit ever-deeper deposits than a viable economic asset (Thayer 2014). Another important aspect, why resources might not serve as a *casus belli*, but remain important is the already emphasized maritime pivot of Asia. As most land borders are determined, the dispute has moved towards the unsettled maritime claims and vital sea lines of communications in the East and South China Sea. Hence, oil and gas remain an essential rationale for the conflict but will come under pressure, if the numbers will further question the true quantity of the region’s resources. The more important question, therefore, is to which extent states will continue to seek control over questionable quantities of oil and gas resources that are expensive to extract, and use energy considerations to justify their means. Domestic politics driven by fierce nationalism and a more self-confident appearance in the international realm might then be more concerning rationales.

Having presented the context of the South China Sea conflict, the claims and justifications of the SCS littorals, and the current assumptions on the quantity of hydrocarbon resources, a sufficient fundament has been set on which the thesis can proceed further. In the next chapter, the existing literature on the South China Sea dispute is reflected, before the theoretical and methodological basis will be outlined in *Chapter 3*.

³⁶ The current Chinese policy concerning the South China Sea is often compared to the U.S. Monroe Doctrine of 1823 and the U.S. strategy in the Caribbean (Kaplan, 2011: 82; International Crisis Group, 2012a: 3; Ueno, 2013: 95). This is important insofar, as one has only to imagine a conglomerate of great and middle powers competing for the resources in the Gulf of Mexico. It would be no rocket-science to assume that the United States would do everything to prevent such a situation to happen in the first place. Despite some important differences between the Caribbean or the Gulf of Mexico and the South China Sea, such analogies help to understand the debate better.

CHAPTER 2: THE STATE OF THE ART IN THE ACADEMIC RESEARCH ON THE SOUTH CHINA SEA DISPUTE

The South China Sea dispute has produced an extensive set of literature covering a wide range of topics, including, among others, history, diplomacy, economy, ecology, environment and maritime surveillance. To provide the reader with a better overview, I will assort the hitherto research into five broad categories: holistic overviews, security analyses, regional cooperation analyses, bi- or trilateral studies, and energy issues. Please note, to be more consistent with the purpose of this thesis, at this point I will only present the literature that deals with the South China Sea dispute directly, and exclude the also extensive set of research on Southeast Asia. I regard this procedure as more appropriate to keep our focal point on the dispute itself and consider transcendent issues where it is more expedient.

1. Holistic Overviews

The most recent publications on the South China Sea dispute include Robert Kaplan's (2014) *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* and Bill Hayton's (2014) *The South China Sea: The Struggle for Power in Asia*. As we already came in touch with both, I will focus rather on conceptual differences and locate those two books within the academic literature. Kaplan lifts the conflict from its mere maritime foundation by focusing on each littoral, emphasizing likely causes of conflict. In this regard, he highlighted issues such as democratic transition (How will Singapore or Malaysia develop in the future?), religion (The question of extremist, most likely Islamist, uprisings in the Philippines, or Malaysia.), or the quest of unification on the Korean Peninsula and the Taiwan Strait. The picture he is drawing is enlightening, but at the same time a rather grim one (Kaplan 2014: 5-10). However, he remains optimistic that Europe's past will not be Asia's future, primarily due to the geography of East and Southeast Asia, which is maritime and not land based (ibid: 5). We will outline the implementations of this difference in the next part of this thesis.

Compared to Kaplan, Bill Hayton's book provides the reader with an even deeper understanding of the conflict. Hayton approaches the conflict from its uttermost roots, challenging some conventional assumptions and ideas about the history of Southeast Asia and the current situation in the South China Sea. His starting point is a conversation between Deng Xiaoping and his Vietnamese counterpart Le Duan in 1975, in which Deng noted that the South China Sea is a historical part, a heritage to the People's Republic of China (Hayton 2014: 28). According to Hayton, this conversation was grabbed by three newspapers and has '*been repeated innumerable times since but, as we shall see, a review of the evidence tells us that this sense of ownership is not ancient, but very recent*' (ibid). Hayton presents numerous insights provided by historians, anthropologists, and geographers, as well as businessmen, politicians, and seismologists. Although he never notes it directly, there is a strong emphasis in regard to our understanding of "Asia" today, which certainly reflects Edward Said's (1977) origin of the *Orient*: it is a "Western invention". Hayton's book is enlightening in many respects, including the differing notion of "border" and "boundaries" in Asia compared to the Western world, or the historic developments of the so-called "mandalas" who were the main form of societal and state organization in the region for thousands of years (ibid: 27-30).

However, both books cannot be judged as academic literature. On this matter, hitherto research includes the work by Tønnesson (2001) on the international history of the South China Sea dispute; Sing (2012) on the regional and global dimensions of the conflict; and Hiebert, Nguyen, and Poling (2014) on the diplomatic, legal and security dimensions of the dispute. Shen (2002) wrote an interesting paper on China's historical claims over the South China Sea Islands. Although historic records are not in line with UNCLOS and the paper should be read with a good grain of salt, it presents the reader with the often portrayed and exemplified justifications that the Chinese

government uses to enforce their claims. It is a respectable list of “What-China-has-done-first” (Shen 2001: 101-141) but should be read with some skepticism about the true validity of such justification in international relations and international law. Nonetheless, to understand the issues as such, it is inevitable to consider the position of the People’s Republic and to understand their thoughts on the dispute. Arguing against the scholarly canon, Taylor (2014) challenges the common description of the South China Sea as a flashpoint (ibid: 100). He outlines three reasons for his argument: Taiwan, Korea, and the East China Sea remain higher in the potential to provoke severe diplomatic and even military conflicts; China’s interests are often overstated; and the balance of power is not shifting against the United States (ibid). The real danger, according to Taylor, is the ongoing reference to the South China Sea as a flashpoint.

2. Security Analyses

The second set of literature are concerned with security issues. As most of Asia’s trade and energy supply runs through the South China Sea it is understandable why even Japan has an interest in the regional dispute (Sato 2013; Storey 2013). In this context, an early work by Ralph Cossa (1998) explored the potential triggers of conflict. He outlined that, among others, exploration and exploitation (E&E) activities, creeping occupation, armed displacement and enforcement, or simple accidents and miscalculations can trigger conflict among the littorals (Cossa 1998: 7-11). To resolve the conflict, he proposed several confidence-building measures such as enhanced openness and transparency, multilateral efforts, and joint developments (ibid: 12-13). More recent research includes Emmers (2010) on the changing power distribution in the South China Sea; Blazevic (2012) who utilizes defensive realism and neoliberalism to evaluate the bilateral security concerns of Chinese and Vietnamese officials; Song and Tønnesson (2013) who analyze the impact of UNCLOS on the conflict and conflict management; and Storey (2013) who focuses on Japan’s maritime security interests in the South China Sea. According to Glaser (2012), who is particularly concerned with the role of the United States in the region and outlines potential triggers for a U.S. military involvement in the region, there are several events that could sprout conflict between Washington and Beijing: Clashes between U.S. and Chinese vessels within China’s Exclusive Economic Zone, a conflict between China and the Philippines, and the exploration and exploitation dispute between China and Vietnam (Glaser 2012: 1-3). In a similar vein, Cronin et al. (2014) emphasized a “tailored coercion” strategy by the People’s Republic, highlighting the maritime dimension of the dispute.

3. Regional Cooperation Analyses

In his 2000’ paper, Valencia (2000: 223) has set out the conceptual basis and framework for the initiation and development of regional regimes and assessed the prospects for regional maritime regime building. His article focuses on a maritime regime to control fishing stocks, sustainable ecology and environment. In the same vein, Schlick (2009) has focused on fishery agreements in the light of the South China Sea conflict; Thao and Amer (2009) have assessed the level of progress made with respect to the littoral’s conflict management; Chircop (2010) has analyzed the recent developments in marine environmental protection; and Chen (2013) has assessed factors, actors and mechanisms in environmental cooperation. Kao (2012) provides a summary of the existing and future prospects of regional cooperation. Existing practices include among others the *United Nations Environmental Protection East Asian Seas Regional Seas Programme*, the *Partnership in Environmental Management for the Seas of East Asia*, and *United Nations Environmental Protection South China Sea Project* (Kao 2012: 286-290).

These cooperation, however, share some common features such as coherent project goals or the covering of large maritime parts beyond the South China Sea itself (ibid). Another confidence-building measure is cooperative monitoring (Baker 2013). Satellite images can foster information sharing in response to regional disasters, environmental problems, and provide certain advantages compared to common reconnaissance (less provocative, easy to access, public openness). Furthermore, as Baker (ibid) outlines, if the countries would agree to settle their disputes, freeze their occupation plans and rely solely on public satellite imaginaries, it is easier to monitor compliance of the participants as everyone receives the same images.

4. Bi- and Trilateral Studies

The third set of literature consists of bi- and trilateral studies on the relationship among the littorals. An older work was written by Storey (1999), one of the outstanding figures on Southeast Asia. In his paper, he focused on the “creeping assertiveness” between China and the Philippines in regard to the South China Sea. Fairly, the assertiveness between China and any the other claimants have lost its “creeping” attribute in the recent years. Although the situation in the South China Sea has developed into a certain “stalemate” today (Buszynski 2010, Ningthoujam 2014), each littoral has nonetheless tried to bolster its assertiveness. This aspect is included in the works by Pitlo III and Karambelkar (2013) who have looked on Vietnamese-Philippines relations, which have become more serious. Other bilateral studies include Cheng’s (2011) analysis of the Sino-Vietnamese relations in the recent decade with a particular focus on socio-political factors; following Cheng, Hiep (2014) focused on the economic dimension of the improved Sino-Vietnamese relations; and Chakraborti (2012) who analyzed Sino-Vietnamese relations from a historical point of view and arrived at the conclusion that their relations can best be described by a “conflict-peace-trepidation” syndrome. On the relations between Vietnam and the United States, Brown (2010) traced the process of rapprochement back to 1995 when “normalization” started to evolve leading into the 2001 Bilateral Trade Agreement, and later to the 2007 entrance of Vietnam to the World Trading Organization (Brown 2010: 322).

5. Energy Cooperation and Energy Security Studies

The final set of literature is concerned with the energy dimension of the South China Sea conflict. It is the smallest – but for the purpose of this paper – the most interesting set. An outstanding work on this issue is Buszynski and Sazlan (2007) paper on the energy cooperation in the South China Sea. In this paper, the authors raised the question, whether or not exploitation and exploration of the resource can be tapped even if maritime claims have not been settled yet (Buszynski and Leszek 2007: 144). Energy cooperation in this sense can be seen as a confidence-building measure where a razor thin margin has to be balanced. On one side are the global firms with their investments and technology who want confidence in the security of their assets, on the other side are the competing claims to which solution is so difficult to achieve. Hence, the conclusion at which Buszynski and Sazlan arrive is a clear liberal-economic one: conflict and clashes would harm the confidence of the global energy firms, thus, affecting the economic benefits of each state in the region (ibid: 166). Therefore, although the economic incentives and pressures are known to each littoral, one central cause, why the conflict is so difficult to resolve is China and Vietnam’s tough stance on their formal claims to the entire region (ibid).

Buszynski (2012) has followed this line of thinking and estimates an increased risk of conflict over the last five years (ibid: 139). This is in line with Perlez' (2012) article that assessed the tensions between China, Vietnam and India as a battle for the estimated resources of the region. Hong (2010) has outlined several driving forces for the increased fierce competition about the scarce energy resources of the region. For him, the growth in population and gross-domestic product (Hong 2010: 413) are the main forces driving the South China Sea to a "conduit" for energy security (ibid: 424). However, the central problem arises around the question of how much estimated resources can be proven. As Zandoli (2014) noted, when we say that the conflict in the South China Sea is driven by energy competition, we actually have to emphasize that it is competition for estimated resources (Zandoli 2014: Online). Analyses by authors like Zandoli, Graham (2014) and Nicolas (2014) seriously took into account the 2013 U.S. Energy Agency report and the latest estimations of resources and reserves in the South China Sea, which, as it was emphasized in the prior chapter, suggest much less than expected.

Having briefly outlined the context of the South China Sea dispute, its major claimants and their justifications, and the existing research on the topic, the next part of this thesis will outline the exploration design. Thereby, the *research question* is illustrated, the *theoretical background* presented and *empirical framework* including a refined definition of internationalization established.

PART II – EXPLORATION DESIGN

RESEARCH QUESTIONS, THEORY AND METHODOLOGY

CHAPTER 3: RESEARCH QUESTIONS

The primary objective of this thesis is to produce a general conceptualization of internationalization. This includes a refined definition of the term itself and a framework to empirically assess the acts of internationalization. Being closely linked to the field of international relations, the primary concern is how internationalization *influences respectively affects* the security situation of states. While internationalization can occur on a broad scale and on numerous issues, the focus of this thesis is on the exploration and exploitation activities of Vietnam and the Philippines. In this regard, both countries serve as a prime example, as they maintain vital interests in the South China Sea, territorial issues with other littorals and longstanding cooperation with foreign companies in exploring and exploiting the littoral's national resources in the South China Sea. In order to analyze the effects of internationalization, it is important to extract the empirical evidence in the first place. Doing so, the work in hand will be guided by two research questions. Research question number one addresses the wider terms of internationalization, aiming to produce the basic knowledge and data that is at the principal interest of this thesis.

Research Question I: Why and in which form have Vietnam and the Philippines internationalized their energy exploration and exploitation activities in the South China Sea since 2002?

To answer this question, the thesis needs a sufficient theoretical knowledge and an appropriate methodological understanding. While the former is derived from the central theories of international relations, the latter will be generated in an intense examination of the existing literature on internationalization. Linking theory and methodology, the aim is not to produce a neorealist or neoliberalist version of internationalization but to leave aside the theory-first approach of conventional academic analysis and to focus on the empirics first. The presumed advantages and likely pitfalls of such a deductive “*empirics first*” approach will be explained in *Chapter 5*. Three guiding questions will help to answer the first research question:

1. What is the initial objective to internationalize?
2. With whom have they cooperated?
3. In which form have they cooperated?

Regarding the first guiding question, which will address the first part of the research question, “why” they have internationalized at all, the thesis will focus upon the strategic dimension of internationalization. More specifically, attention will put primarily on security considerations particularly defined in terms of hedging and enmeshment. This shall link the analysis closer to the field of international relations. The other two guiding questions already formulate the first two steps of the empirical framework, which will be generated in *Chapter 6*. Although Vietnam and the Philippines have been engaged in exploration and exploitation activities as early as the late 1970s, 2002 marks an interesting year to start the analysis as it was the year the *Declaration on the Conduct of Parties in the South China Sea* was signed (DOC 2002).

It will be interesting to see, how the internationalization efforts by Vietnam and the Philippines evolved in the period between 2002 and 2015, and whether or not significant changes are possible to detect. In this context, particularly 2009 could mark a turning point, as it was the year Vietnam and Malaysia submitted its cases to the Commission on the Limits of the Continental Shelf (International Crisis Group 2015: 1; UN-I 2009). China has responded to this act by submitting a *note verbal* to the United Nations stating that,

‘China has indisputable sovereignty over the islands in the South China Sea and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof (see attached map). The above position is consistently held by the Chinese Government, and is widely known by the international community’ (UN-II 2009).

These actions have made the contest in the South China Sea grown fiercer in general (BBC 2011; Perlez 2012). To which extend it influenced the exploration and exploitation activities of Vietnam and the Philippines is one aspect under close consideration. Having assessed the empirical evidence, the thesis is able to analyze the national and regional implications of internationalization. Thus, the *second* research question deals exclusively with the security aspects of internationalization both in regard to the security of Vietnam and the Philippines, as well as the impacts on security dynamics in the region.

Research Question II: *Which effects had the internationalization on the security situation of both countries and the wider South China Sea region?*

The key factor here is the number of stakeholders who have an economic interest in the region, which will be assessed by the third step of the analytical framework. To put depth to the analysis, a major focus is set on the ownership of the companies. In this regard, the thesis assumes that

1. The underlying argument has more value in regard to national oil and gas companies, as they are linked in one way or another to the conduction of national directives;
2. China, as the most important and capable of the seven littorals, is more prone to react assertive towards the engagement of nationalized companies than private companies;
3. in addition to the second assumptions, it is likely that China reacts more affirmative towards cooperation with great powers than small and medium powers.

With respect to China’s reaction, a general rejection of unilateral management of oil and gas blocks in disputed territory is the default. Thus, the focus will be set on situations where China announced a harsher displeasure. It will be interesting to see whether or not there are differences in the response of China towards the internationalization acts by Vietnam or the Philippines. Features that will influence this response are likely to be geographic proximity of the cooperating partner and oil and gas block on offer but also the form of cooperation. This emphasis on China is an acknowledgement to the fact that security is a double-edged sword, any gain in security by Actor *A* is perceived as a loss by Actor *B*. What this means more concretely, will be explained in the next chapter.

CHAPTER 4: THEORETICAL FOUNDATIONS – NEOREALISM, NEOLIBERALISM AND THE REGIONAL SECURITY COMPLEX THEORY

Referring to international relations, three schools have emerged since the early 20th century: the realist, the liberalist and the constructivist school^{37, 38}. Diligent academic work in the aftermath of the Second World War has begotten the neo-paradigms of neorealism and neoliberalism that aimed to develop and establish a theory of international relations.³⁹ It is appropriate to call them paradigms for two reasons. *First*, neorealism and neoliberalism is rather an umbrella term to subsume several theoretical approaches (i.e. balance-of-power theory, balance-of-threat theory, and regime theory).⁴⁰ *Second*, defining neorealism and neoliberalism as paradigms highlights the intra-paradigm variety of theoretical approaches. Although neorealism refers to certain key assumptions that all theories acknowledge, for example the priority on states and security, they differ on the interpretation of more detailed questions such as how much power is enough or the appropriate distribution of power in the international system. For the purpose of this thesis, it is not necessary to point out the sense and nonsense of each particular theory within the neorealist or neoliberal paradigm. In this regard, more concerning are the essentials of both, its differences and similarities, and how these paradigms assess the situation in the South China Sea.

Doing so, the thesis will take a general stance towards the preponderant paradigms in international relations, outlining its major theoretical propositions and bring its validity in regard to Asia into question. To be precise, the approach of this thesis is reversed to most analyses, as the empirical evidence is assessed first without having a concrete theory in mind right from the beginning. More precisely, this means that the empirical framework is not derived immediately from any one of the subsequent presented paradigms, aiming to provide a less theory-guided analysis for the sake of a more detailed elaboration of the current situation in regard to internationalization of the oil and gas exploration and exploitation activities. The upcoming chapter will discuss the sense and nonsense of this approach more detailed.

Synthesizing neorealism and neoliberalism as such is not new, but the outlined path of this thesis is rather untried. Existing attempts on integrating both theories include the work of Andreotti and Koenig-Archibugi (2010) who have reflected on the existing literature on synthesizing neorealism and neoliberalism, aiming to contribute to the development of certain criteria for synthesizing. Based on prior outlined assumptions, they have proven that synthesizing is theoretically possible but failed to prove it empirically (ibid: 223). In an earlier attempt, Thies (2004) has applied McPhees' "Survival Model" to question, which theory is more advanced, and whether or not neorealism and neoliberalism can be applied in an integrative fashion. His conclusion, despite his sincere intentions, rather focused on the first part of his interest of inquiry lifting the neoliberalism prior neorealism (ibid: 178). He (2008) has provided another approach, aiming to connect neorealisms' power thinking and balancing, with neoliberalism favor for institutions and cooperation. To prove his "institutional balancing" approach, he focuses on two institutions in Southeast Asia that serve as an illustrative example – the ASEAN Regional Forum (ARF), and the ASEAN+3.

³⁷ For more details on the constructivist theory see Reus-Smith (2011); Wendt (1996 and 1999).

³⁸ For an educating overview of the three classical theories see Walt (1998).

³⁹ To get more information on the theory/paradigm debate in neorealism and neoliberalism see Chan (2004), Legro and Moravcsik (1999), Schroeder (1994), Vasquez (1997); Waltz (1997) and Wang (2004).

⁴⁰ Theories are 'collections or sets of laws pertaining to a particular behavior or phenomenon [and] statements that explain them' (Waltz 1979: 5). Laws in this sense 'establish relations between variables' (ibid) and these variables can take different values. To put it more bluntly, theories help us to make sense of reality's fuzz. As a theory can only be overthrown by a better theory, their validity depends on the explanatory and predictive power (ibid: 8-9).

While his thesis can be proven for the former, it fails to assess the reasons for U.S. exclusion in the latter, given its importance in terms of trade and economic relationship (ibid: 511). Contrary to these authors, this thesis will link the basic concepts of both paradigms for the sake of understanding the assessed empirical evidence.

The remainder of this chapter is organized into three parts. *First*, the basic assumptions of the preponderant schools of neorealism and neoliberalism will be outlined before the last section will introduce Buzan and Waever's (2003) *Regional Security Complex Theory*, as most elements and definitions will be used to generate the definition and framework of internationalization in *Chapter 6*. This procedure shall help to provide the reader with the most basic assumptions of the two central theoretical lines of thinking in International Relations Theory.

1. Neorealism – Its Origins and the Defensive/Offensive Debate

In the following, the central assumptions of the neorealist paradigm will be presented. The focus then turns towards the division within the neorealist camp, more precisely between those who favor power maximization over security-dilemma considerations.

1.1. Origins – Evolution from the Classical Realist Paradigm

Neorealism has emerged as an independent paradigm in the aftermath of the Second World War. Although, distinguishing itself from classical realism, neorealism likewise shares certain similarities with it. Among those is the common devotion to describe and explain world politics as it is, and not as it should be (Burchill 2001b: 70). The state, acting in an international environment that is marked by anarchy, remains the central actor in international relations (Lebow 2010: 61; Mearsheimer 1995: 10 and 2010: 79-80; Waltz 1979: 88-89 and 102). In this system, the relations among states are characterized by distrust towards the intentions of other states. Therefore, any single state has to act in accordance to a self-help mode with the prior objective of ensuring its own survival. Given the lack of trust among the states in the international system, conflicts and the chances of war are permanent features of international relations, whereby states are forced to uphold certain military capabilities for reasons of self-defense at all times. These features are the essentials that classical realism and neorealism have in common. What is distinguishing both is not a direct ontological cause but a distinctive notion of the role of the international system, which is concluded in a significant different explanation of the causes of war. While the cause of conflict in classical realism has been located at the nature of human beings, which is perceived to be prone towards power accumulation, neorealists relocate the cause of conflict on the structure of the international system. In particular, neorealist proponents argue that how power is distributed and balanced is the major rational for war (ibid).

In this context, Morgenthau (1956: 973), one of the founding fathers of the realist school, has advocated to explain the behaviour of states in the global realm by assessing and understanding the national interest of states. Influenced by a pessimist and strive-for-power nature of the human being, the national interest is the lowest common denominator of bipartisanship and the central motive of any foreign policy:

‘The concept of national interest presupposes neither a naturally harmonious, peaceful world nor the inevitability of war as a consequence of the pursuit by all nations of their national interest. Quite to the contrary, it assumes continuous conflict and threat of war, to be minimized through the continuous adjustment of conflicting interests by diplomatic action’ (Morgenthau 1956: 978).

Classical realists assume that states are unitary and rational actors who are influenced by domestic and international factors (Lebow 2010). While not denying the conception of states as unitary and rational actors, neorealism has been initiated by a differing understanding of the role of individuals, as well as domestic factors. In his seminal book, *Theory of International Politics*, Waltz (1979) outlines not only a severe critique towards classical realism but also develops a sophisticated approach to understand world politics. He and fellow colleagues like Walt and Mearsheimer argue that classical realism ignores the role of the international system, which determines and restrains the actions of states and its leaders (Burchill 2001b: 91). As Mearsheimer (2001: 10-11) puts it more illustrating, what matters are not domestic factors of who ruled when, how, and in which political system, but systemic incentives and constraints. Against this background, neorealism relocates the cause of conflict to the condition of anarchy in the international system. Anarchy does not mean disorder, but the absence of any overarching authority, which could function as a regulating actor, whereby states are left in a system of everyone-for-himself (Mearsheimer 2010: 78).

Waltz' (1979) critique has laid the foundation on which he established his structural theory of international politics. Against hitherto perceptions, Waltz (1979: 18), whose book has affected International Relations Theory like no other, rejected any theory that derived its claims from inductive approaches, whereby an attempt has been made to understand the whole by knowing the particular. According to his logic,

'It is not possible to understand world politics simply by looking inside of states. If the aims, policies, and actions of states become matters of exclusive attention or even of central concern, then we are forced back to the descriptive level; and from simple descriptions no valid generalizations can logically be drawn' (ibid: 65).

The key concern for Waltz and his interpretation of neorealism was not to understand the behavior of states in a particular situation, but *'Why do states exhibit similar foreign policy behavior despite their different political system and contrasting ideologies?'* (Burchill 2001b: 89). It is important to keep this in mind, because most critique towards neorealism has failed to take this aspect of universality into its equation. The answer Waltz has suggested to the question above is rooted in the anarchic condition of the international system. As states act in a self-help mode to secure its survival, power accumulation is *'a systemic requirement'* (ibid: 90) imposed by the international system on any state. In this context, the international system itself is the focal point of world politics. According to Waltz (1979: 88-93) it has three decisive features. *First*, the international system is decentralized and anarchic (Waltz 1979: 88-93). *Second*, although states might be unlike in regard to several factors, they share the need for survival. Hence, *'Anarchy entails relations of coordination among a system's units, and that implies their sameness'* (ibid: 93). *Third*, as the functions' states fulfill in an anarchic international environment are undifferentiated, they are distinguished merely by their socio-economic and military capabilities (ibid: 97).

Two further issues have to be emphasized for the sake of completeness. Concerning the *first*, relative versus absolute gains, there is unity among neorealism. While neoliberalism is in favor of absolute gains, focusing on the gains that a particular actor can achieve towards its prior position but at the same time taking into account how these gains are distributed among others, classical realism and neorealism is foremost concerned with and interested in relative gains (Mearsheimer 2001: 52). A birthday cake might best illustrate this. Disregarding the number of guests at the party a neorealist would assume that any guest is keen to get the largest piece of cake, ignoring the needs and interests of others. Doing so, tensions are certainly more prone to occur than if the cake would be distributed equally. Neoliberals would suggest cutting the pieces into several parts to satisfy all guests. The size of these pieces is not necessarily a concern, as long as every guest is getting one piece of cake.

The *second* issue of concern, power maximization versus security maximization, has produced tense debate among neorealists that has begotten two distinctive camps. With respect to the causes of war among states, neorealism suggests a devilish mixture made of four ingredients: the polarity of the system, whether or not a power is balanced, power shifts, and offense-defense calculations⁴¹ (Mearsheimer 2010: 85-89).

However, despite accordance on the causes of war and the level of analysis, neorealists differ on the question for how much power is enough, the role of balancing, bandwagoning and buck-passing, and the adequate polarity of the system. The answers to these issues are the central point of distinction within the neorealist paradigm.

1.2. Defensive Neorealism – Moderate Power, Balancing, and Bipolarity

At the heart of defensive neorealism is the prior attention paid to the *security dilemma*.⁴² For defensive neorealists, like Waltz, Snyder, and van Evera, the actions states take are determined by the particular situation, because ‘*the changes required when a status quo power faces an expansionist power are very different from the changes that could increase cooperation among status quo powers that fear one another*’ (Jervis 1997: 51). The core of defensive neorealist thinking is made upon four assumptions: The security dilemma is an essential feature of an international system that is marked by *anarchy*; *structural modifiers*⁴³ affect the severity of the security dilemma between particular states; *material power* is a decisive determinant influencing the foreign policy of states; and the *domestic level* can restrict and limit the leeway a state has to act against foreign threats (Taliaferro 1999: 131-143). Given its centrality to the security dilemma, defensive neorealism suggests that power maximization is strategically not a wise move and is advocating balancing as the primary strategy to approach any revisionist power (Waltz 1979: 127)⁴⁴. The reason for this is simple: As states act in a self-help system, they take any measure necessary to provide their foremost objective, which is to survive. In this regard, power is seen as a means to achieve security, not as an end itself (Wang 2004: 180). In a system with two or more states, any attempt of one state to achieve more power compared to the other states in the system will provoke an act of correction by the weaker and threatened states. This act of correction is called *balancing* (Waltz 1979, Walt 1987, Mearsheimer 2001). According to Waltz (1979: 117-118) states foremost balance towards power. If country *A* increases its capabilities and gains more power towards any other country in the system, the other countries will take measures to balance this power improvement.⁴⁵

⁴¹ For more information on the offence-defense balance and how to measure it see Glaser and Kaufmann (1998).

⁴² The security dilemma is a situation ‘*in which the means by which a state tries to increase its security decreases the security of others*’ (Taliaferro, 1999: 136). In other words ‘*most steps a great power takes to enhance its own security decrease the security of other states*’ (Mearsheimer, 2010: 81). For more information see Herz (1950).

⁴³ Structural modifiers are material factors such as ‘*offense-defense balance in military technology, geographic proximity, access to raw materials, international economic pressure, regional or dyadic military balances, and the ease with which states can extract extra resources from conquered territory*’ (Taliaferro 1999: 137).

⁴⁴ According to Keohane (1984: 32), a ‘*Hegemonic power must have control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods*’. In his elaboration on cooperation in the International Political Economy (IPE), he aims to understand how cooperation is possible, without the existence of a hegemonic power. While not discussing this argument in more detail at this point, it is interesting to emphasize the fact that Keohane draws widely upon the Realist and Neorealist glossary, pointing out that even “Liberalists” might have more in common with Realists than one would suggest at first place.

⁴⁵ It is interesting, that while the security dilemma is acknowledge by defensive neorealists, they do not address the issue of relative gains, which are at the center of concern of the security dilemma, with the same effort.

These measures include internal balancing, whereby the capabilities of the state will strengthen, and external balancing in the form of cooperation and alliance building with other states (Roy 2005: 306). The latter mostly occurs in the form of formal and informal alliances which often are the result not only of a balancing behavior against the power of a country, but also against threats that state and non-state actors can provoke (Walt 1987: 5). In this sense, balancing is '*defined as allying with others against the prevailing threat*' (ibid: 17). To put it even more specific,

'Balancing is about equalizing the odds in a contest between the strong and the weak. States balance when they take action intended to make it hard for strong states to use their military advantage against others. The goal can be to deter a strong state from attacking or to reduce its prospects of victory in war' (Pape 2005: 36).

With respect to the performance of balancing, Mearsheimer (2001: 156) has emphasized three decisive measures a state has to set to make balancing work: *First*, they have to send clear signals to the antagonist that they are firm on maintaining the balance of power; *second*, to contain the threat, they build alliances; and *third*, they foster internal balancing by improving their own capabilities. However, if we question these assumptions, the devotion to balancing against the essentials of neorealism, we pump into a puzzling logical hole. This hole emerges due to the fact, that external balancing and alliances would actually contradict certain aspect of the defensive neorealist paradigm. If all states act in a self-help mode and distrust is the dominant condition in international relations, how is it possible then for states to cooperate with each other, without questioning both, the effectiveness and assertiveness of the balancing act? This problem is rather incommensurately investigated by academic research, leaving defensive neorealism in a vulnerable ambiguous position that is closest to weather forecasting:

'Like weather forecasters, a theorist can predict a 30 percent chance of balancing (or rain) and be right regardless of what actually transpires. Defensive realism may be a useful way of conceptualizing some of the differences between domestic and international affairs, but it does not technically tell us what states will do' (Rosecrance 2006: 31).

Offensive neorealism, as we will see soon, has solved this problem rather drastically but at the expense of producing further questions. However, before approaching offensive neorealism, the issue of polarity has to be explained. According to Waltz (1979: 192-193) '*International politics is necessarily a small-number system. [...] Two great powers can deal with each other better than more can*'. There is unity among defensive neorealists on this statement. While unipolarity would leave ample room for revisionist states to challenge the status-quo power, multi-polarity would include too many actors, enhancing the chances for miscalculation and defection as the primary sources of danger (ibid: 168-172).⁴⁶

⁴⁶ There is a certain hitch with polarity and our thinking of superpowers and great powers that is recently taken up by scholars like Buzan and Wæver (2003), Buzan (2011a and 2011b) or Bremmer (2012). Post-Cold War developments have changed the global level and put more emphasis on the regional level. Therefore, the '*Traditional distinctions between 'great' and 'middle' powers will not work in an international system where only a few operate over the whole system, and many are significant, but only in their immediate neighbourhood*' (Buzan and Wæver, 2003: 34). Today's power distribution is more fragmented than the classic (neo-) realist theories were able to think off. This is especially true for Asia, where the current main challenger for global U.S. preponderance is located – China. According to Buzan (2011a: 5) the role of the United States is on decline, and China's rise will not lead to superpower status. The key factors for this evaluation are socio-political ones. In the U.S. the willingness to support superpower status and to fight the battles of others will continue to cease; at the same time, the U.S. model will further lose its appeal (ibid: 6). On the same vein, the Chinese will struggle internally whether or not a superpower position should be the prior target (ibid: 12). Further pressure is likely to derive from social domestic issues and the quest of how long the economic growth is sustainable. The term Buzan coins for this development is *decentred globalism* (2011a), aiming to '*express the emergence of a truly post-colonial world order: a return to the more even distribution of power of pre-modern times, but in the globally integrated context created by modernity*' (ibid: 21). Whether or not this evaluation will hold evidence is a matter of future developments not only in Washington or

Therefore, *‘With only two great powers, both can be expected to act to maintain the system’* (ibid: 204).⁴⁷ Mearsheimer (2001: 346) has elaborated four particular aspects to favor bipolarity: Fewer opportunities for conflict, equal power distribution, miscalculation reduced, and anxiety among states less magnified. Although, bipolarity has been presented by neorealists of both camps, as one decisive rational for the longstanding peace between the United States and Soviet Union during the Cold War, it is also a major point of severe critique (Kang 2004: 171). Despite numerous shared features, defensive and offensive neorealists distinguish themselves particularly on the notion of power. *‘In a system where there is no high authority that sits above the great powers, and where there is no guarantee that one will not attack another’*, Mearsheimer (2010: 78) argues, *‘it makes good sense for each state to be powerful enough to protect itself in the event it is attacked’* (ibid).

1.3. Offensive Neorealism – Power Maximization, Buck-passing, and Unipolarity

This uttermost emphasis on power maximization rather than acknowledging a security dilemma in the international system is the decisive feature that distinguishes defensive and offensive neorealist. Offensive neorealists, like Zakaria, Labs, and Mearsheimer, separate themselves from its defensive counterparts by emphasizing three decisive conditions: Power maximization, buck-passing and unipolarity. According to Taliaferro (1999: 128):

‘Offensive realism holds that anarchy [...] provides strong incentives for expansion. All states strive to maximize their power relative to other states because only the most powerful state can guarantee their survival’.

The international system, offensive neorealists argue, provides rather little room for cooperation and alliances. They arrive at this pessimistic position, particularly because they assume that a prisoner’s dilemma-like situation is the constant condition in the international system (Jervis 1997: 51). Therefore, the security of a state depends on its power capabilities (measured foremost in economic and military terms), and states have good reasons to become as powerful as possible (Mearsheimer 1995: 12). Consequently following this line of thinking, any military build-up is not a discussable development but a necessary and steady condition for each state, as *‘states should always be looking for opportunities to gain more power and should do so whenever it seems feasible’* (Mearsheimer 2010: 81). The larger aim a state should pursue is to become the only great power in the international system. Whether or not this is a valid argument and becoming a hegemon an achievable goal for states shall not be discussed in this thesis. What is important to emphasize, however, is the fact that this devotion on power maximization restricts the offensive neorealist analysis to great power politics. According to Mearsheimer (ibid: 140-145), any great power is concentrated on achieving four objectives: regional hegemony, wealth maximization, land power dominance, and nuclear superiority (ibid: 140-145). To gain power, they apply a wide array of strategies, including war, blackmailing, bait and bleed, bloodletting, and balancing (ibid: 147-157). Applying offensive neorealism on the case of the South China Sea conflict, it remains open for debate to which extent it is applicable beyond an analysis of great power politics, which means Sino-US or Sino-Japanese. Ideally, however, hegemony would lead to unipolarity, which according to Mearsheimer (2010: 85-87) is the best achievable polarity in the international system.

Beijing but in a global context. Nonetheless, we should start to concern ourselves with an international system that is rather characterized by the absence of a superpower and the impacts this will have. In this sense, Khanna (2014: 36) took it to the biscuit saying that *‘This is the new shape of the world, and with it comes a novel diplomatic logo. It is a world of strong states but no clear global hierarchy. There is no single global order, but diverse regional orders’*.

⁴⁷ Waltz (1979: 135-136) provides numerous reasons for the preference of smaller systems.

Box 1: Neorealism and the South China Sea Conflict

If the neorealist paradigm holds true, the rise of China *'should be provoking balancing behavior, merely because its overall size and projected rate of growth are so high'* (Kang 2003: 64). While this argument applies to both forms of neorealism, it is especially true from an offensive neorealist point of view. China's rise will inevitably lead to tensions and conflicts, as it challenges the dominant position of the United States in the international system, transforming it to bipolarity (Kelly 2014; Layne 2008; and Mearsheimer 2004 and 2006). To approach China's rise, offensive neorealists argue that *'states that gain regional hegemony act as offshore balancers in the other regions'* (Mearsheimer 2001: 237). To balance in other regions does not immediately include severe physical presence of the United States in Southeast or Northeast Asia. According to offensive neorealism's preference for buck-passing, the aim is to let other states do the balancing act, whereby the United States remains involved to the level of supply and support. In this context, regarding the South China Sea conflict, the most likely "buck-catcher" is Japan, Australia, Vietnam, the Philippines and – to a certain extent – Indonesia. Unless Washington feels that the buck-passing strategy has failed, it will not deploy a more severe physical presence. The current developments in the South China Sea, however, indicate that the United States seems to become more proactive.

Defensive neorealists, on the other hand, would suggest a balancing behavior by the Southeast Asia nations towards the rise of China and its assertive behavior in the South China Sea. At the heart of defensive neorealism is the security-dilemma, which constraints the act of balancing and adds a certain sense of cautiousness. In this context, the call for the United States to play an active role in the region is the stiffest a country can make, bringing the elephant into the China shop. Essentially, this definition of balancing differs significantly from the reality in Southeast Asia, as states *'neither balance against the preponderant power of the United States, nor do they obviously balance against the potentially bigger perceived threat of China'* (Goh, 2008: 131-132).

Whether or not one prefers balancing to bandwagoning certainly depends on numerous issues and how states perceive each other and the nature of world politics. In this regard, Walt (1987: 32) has emphasized certain hypothesis that might help to understand when and how states do balance. His deliberations include power assumptions, geography, offensive capabilities, intentions, and the conditions under which a threatening power aspire (ibid). By focusing on threats rather than power alone, Walt (1987: 21) adds a refreshing value to the equation. The remaining question, however, is if states balance towards power or threats, or is it more likely that they will balance towards both as survival is at stake in both cases.

Translating Walt's explorations onto the South China Sea conflict, the picture already looks more stimulated but at the same time more arcane. If countries balance against power, it is difficult to argue for the involvement of the United States but against China. Both are severe great powers in their own respect and it is, at least from a pure theoretical point of view, not obvious why the United States should not provoke the same concerns as China does. Otherwise, if countries balance towards threats, the subject might get clearer, as China, due to several reasons, including foremost geography, provides the more potential threat to the littorals of the South China Sea. However, it is still insufficient, as the theory collapses at its own assumptions. If no state can be absolutely certain about the intentions of others, each balancing approach, as it was pointed out at numerous occasions so far, has to be seen with a good salt of grain. Hence, the threat the United States pose is to which extend the littorals can put faith in the words and obligations of the United States. In this context, deviant behavior cannot be excluded and is a vital concern for balancing states. This should not neglect the fact that states do apply certain neorealist mechanisms but balancing has its advantages and pitfalls. Thus, if balancing seems an inappropriate choice for the littorals of the South China Sea, bandwagoning might be a more appropriate strategy.

Contrary to Mearsheimer's offensive neorealism, Waltz (2000: 28-30) correctly criticizes this unipolar thinking as such a world would include an increased danger of aspiring countries challenging the current world order. This is what we can observe with the rise of China, which is bound to be not peaceful according to offensive neorealism (Mearsheimer 2006: 160). In this context, although not neglecting the importance of balancing, Mearsheimer (2001: 267) prefers buck-passing to balancing, *'because the successful buck-passer does not have to fight the aggressor if deterrence fails'*. Moreover, *'if the aggressor and the buck-catcher get bogged on in a long and costly war'* (ibid) the successful buck-passer can gain extra profit. For reasons of simplicity, to pass the buck means to let others deter and fight an aggressor.

While the distribution of power emphasizes how much buck-passing is likely among great powers, geography assists us in identifying the likely buck-passer and catcher (ibid: 271). The problem that is occurring here, is that the preferred strategy of buck-passing is only possible in a multipolar international systems, as bipolarity misses the existence of a strong and decisive enough third power (ibid: 270). However, the quest for unipolarity is a difficult one and whether or not any state in the current international system is able to achieve this position is highly questionable. Therefore, it is fair to assume that bi- or multipolarity will be the future nature of international relations. However, neorealism in general is rather restricted to take pleasure in multipolarity and most of their assumptions will be put under pressure if multipolarity should emerge, the South China Sea conflict is a vivid illustration of this.

2. Neoliberalism – Its Origins and the Neoliberal Institutionalism

In the following, we will briefly touch upon the origins of neoliberalism in the first place. Thereafter, the focus turns towards the essentials of neoliberalism. In the last paragraph, similar to the prior section, its application on the South China Sea conflict is outlined.⁴⁸

2.1. *Origins – Evolution from the Kantian Triangle*

Tracing back to the thinking of individuals like Locke and Kant, Liberalism was highly popular in the aftermath of World War I, shattered by the rise of fascism and World War II and revived after the end of the Cold War (Morgan 2010: 35). The essentials of liberalism have been derived from Kant, who put the fortune of interstate peace on three pillars: democracy, economic interdependence, and international organization. This so-called “Kantian Triangle” (Burchill 2001a: 31-34; Russett, 2013: 95; Walt 1998: 32) is at the heart of the liberal school. In this context, the Democratic Peace Thesis⁴⁹ and the Interdependency Theory⁵⁰ have emerged as the central theories within the liberal paradigm. Neoliberalism is primarily connected with international institutions and regimes, and the question of ‘*How to achieve cooperation among states, and other actors in the international system*’ (Sterling-Folker 2013: 114). Unlike the realist and neorealist grim and pessimistic view on the nature of politics, liberals and neoliberals have a more optimistic position towards world politics and the achievements that can be made even in an anarchic environment. In this context, neoliberals take into account that the number of battle deaths and autocracies has decreased in the past centuries, while at the same time the number of democracies in the world and the economic interrelations among the nations have increased (Russett 2013: 96-98).

⁴⁸ Unfortunately, the foremost focus on international organizations and regimes excluded the economic relations among states as an explanatory variable from the theoretical spectrum of neoliberalism. Personally, I think that the Interdependency Theory outlined by Nye and Keohane (2011) should be included in the Neoliberal line of thinking. This argument is against the genealogy of neoliberalism and its paramount understanding by most scholars. Originally pure philosophical assumptions, the value of trade and cooperation to overcome the constraints set by the anarchic international system and to achieve peace, developed into theory. Although there is no space for the paper to discuss this argument more profound, when speaking of neoliberalism, one should not reduce it to the purely analysis of cooperation among states. Interdependency is still a significant theory to understand the incentives and constraints that effects states’ actions.

⁴⁹ The Democratic Peace thesis is among the most controversial. Just because empirical data suggests that democracies less fight each other does not include that democracies are more pacifist, as the continuously fight against non-democracies (Morgan 2010: 42-43). For more information see Gochman (1996), Ish-Shalom (2006), Owen (1994) and Russett (1995).

⁵⁰ See Keohane and Nye (2011).

Based upon the early works of Nye and Keohane, Thies (2004: 162-163) argues that the neoliberal understanding of the world is one of ‘*complex interdependence [that] is characterized by multiple channels of contact among society; the irrelevance of military force; and the lack of a stable hierarchy of state goals*’ (Brackets added; Thies 2004: 162-163). Certainly, this evaluation of the neoliberal agenda is a particular normative-idealistic one, and the issue of complex interdependence describes rather an end than the current status. Thus, it should be boldly emphasized that neoliberals do not view global politics through rose-colored spectacles. In fact, they do not have a significant different ontological understanding of the international system: States, striving for survival, have to act in an international system that is marked by anarchy (Keohane 1984: 5; and Morgan 2010: 35). Therefore, states remain the most important actors in world politics. Where neoliberalism departs from neorealism is its emphasis on the role of cooperation and non-state actors, as well as devotion on absolute gains rather than relative gains. Despite its anarchic condition, the international system provides ample leeway to secure a state’s survival. In this regard, neoliberals deny the *a priori* existence of the security dilemma, highlighting the incentives and opportunities for cooperation (ibid). To put it more bluntly, the very same conditions that led realists and neorealists conclude that states have to possess certain military capabilities to be prepared for self-defense at any time, provide multiple chances for cooperation. As it was already mentioned above, neoliberals favor absolute gains versus relative gains (Sterling-Folker 1997: 3) and refer to a distinctive notion of rationality (Keohane 1984: 68-77) compared to its neorealist counterparts. The next paragraph will touch upon these two features in more detail.

2.2. Neoliberal Institutionalism

In his seminal book, *After Hegemony*, Keohane (1984) has generated the essentials of neoliberalism, which is often referred to as neoliberal institutionalism. Throughout this book, Keohane’s central concern rests on the question of how to achieve cooperation, especially in the absence of a hegemonic power (ibid: 9). It is interesting that Keohane, already in the mid-1980s, concerns himself primarily with the diminishing capabilities of the United States and its effects on world politics. The argument Keohane presents follows upon his earlier work with Nye (2011) on interdependency, which not only generated conflict and discord among states but likewise increased it the more they become interdependent. This conflict, foremost derives from the various strategies that states apply to deal with the increased interdependency (Keohane 1984: 243). To limit this discord, states have to adjust its policies towards each other. In this context, *cooperation* is seen as a means to achieve this adjustment. The relationship between conflict and cooperation, however, is not seen as the latter supersedes the former. Rather contrary, ‘*Without the specter of conflict, there is no need to cooperate*’ (ibid: 52).⁵¹ Therefore, neoliberalism is not about erasing conflict, as neoliberalist authors would be jobless under such conditions, but how to deal with it, in particular, if there is no country strong enough to lead and supervise. Before focusing more on the issue of cooperation, two pitfalls of Keohane’s approach have to be emphasized. *First*, neither throughout the book nor in his later works has Keohane further elaborated on the increased interdependency and its effects on conflict and cooperation. Thus, it remains questionable whether or not his assumed preposition is right and there exists causality between interdependency and conflict.

⁵¹ Implying that cooperation is mixed with conflict, Keohane applies a much more realist view on cooperation than one of the masterminds of liberalism, Norman Angell has done. According to him, ‘*Men’s interests are not sacrificed by co-operation; they are advanced by it, and if this principle is true in the case of individual men, it gains in force a hundredfold in the case of nations*’ (Angell 1912: 771).

Moreover, *second*, he assumes an *a priori* mutual interest for cooperation among states (ibid: 6). As it is difficult to assess and prove, this condition provides ample room for critique, which has evolved with particular respect to two further propositions: The favor of absolute to relative gains and a more normative notion of rationality. According to Keohane (ibid: 8), the primary form of cooperation is a regime, which is defined as '*rules, norms, principles, and decisionmaking procedures*'. Regimes are the contextual foundation of international organizations, the latter having the ability to '*alter the information available to governments and the opportunities open to them*' (ibid: 26). It is this particular reference to the existing information gap among states' relations that is hailed by neoliberals as the major presupposition for cooperation and the necessity of international organizations, institutions, and regimes.

To be more precise, according to neoliberal institutionalism, regimes have the ability to '*change the calculations of advantage that governments make*' (ibid). In this context, particular focus is set on international organizations. Neorealists are keen to emphasize that the issue of cooperation is closely linked to the question of how to achieve compliance of the actors, and to avoid cheating (Mearsheimer 1995: 15). This tense critique is not far-fetched, as Keohane and others have not stressed the importance of this subject but rather diminishes its significance. The neorealist logic in this regard is quite simple. For them, '*institutions are basically a reflection of the distribution of power in the world*' (ibid: 7). As this argument is certainly not to discount, neoliberals are quick to point out that '*Institutions do not merely reflect preferences and power of the units constituting; the institutions themselves shape those preferences and that power*' (Keohane 1984: 382). Therefore, international organizations consist of a reciprocal relationship of being shaped by and shaping the interests of its participants.

To reinforce its argument, neoliberals recognize the long-term benefits of cooperation and international institutions, trying to convince the actors in the international system that everyone would be better off with than without cooperation. With respect to international organizations, Keohane (1984: 93) points out three central difficulties that they have to face: unequal distribution of information, moral hazard and careless behavior. Although, Mearsheimer and other neorealists' critique of the particular issue of cheating, and the neoliberal agenda in general, is valid. The point to make is not which theory scores better in terms of relevance and quality. It is important to take into account the scholarly interests. Keohane (ibid: 7) is right to criticize the neorealist failure to acknowledge and understand the high level of cooperation, formally and informally, institutionalized or loose. On this matter, he argues:

'If international politics were a state of war, institutionalized patterns of cooperation on the basis of shared purposes should not exist except as part of a larger struggle for power. The extensive patterns of international agreement that we observe on issues as diverse as trade, financial relations, health, telecommunications, and environmental protection would be absent' (ibid).

On the other side, realists and neorealists are right in emphasizing their dissatisfaction with the impact of international organizations. For them, as we have already said, any institution is bound to be shaped significantly by the interest of the greatest power, whereby its pure existence is dependent upon them. Keohane, however, does neither challenge nor neglect this argument but his works present a different logic to approach this issue. International organizations and regimes are not merely a place to meet that has been established on the engagement of a certain power. It is also a guidance of how to behave in certain situations, outlining rules and norms that any participant has to adhere to. If they act in discordance with the regime they not only would harm its own reputation and benefits, but also other members of the institution. Basically, this evaluation is based upon the already mentioned distinctive notion of rationality and the favor of absolute gains.

Box 2: Neoliberalism and the South China Sea Conflict

A neoliberal analysis of the South China Sea conflict would focus on cooperation efforts prompted by the disputing countries, asking for what has been done, why this is so, and how it will further develop. Cooperation in this sense can be both formal and informal, which means that it can be institutionalized or not. Moreover, cooperation can occur on all kinds of issues, including among others economy, society, and security. From a neoliberal point of view, the South China Sea conflict provides numerous incentives for cooperation, taking into account the extended web of interdependency among the littorals and assuming that discord between them will produce nothing but harm. Whether or not cooperation will lead inevitably to the settlement of the conflict remains open to the future. However, it is fair to assume that any form of cooperation will affect the Conflict and the disputants' behavior significantly. Existing cooperation ranges from bi- to multilateral agreements and include numerous practices, means and mechanism that cover a broad spectrum, including among others confidence-building measures and formal institutions. The most vivid outcomes of cooperation in the region are ASEAN and the ASEAN Regional Forum (ARF). Especially ASEAN is the key engine for the increased regionalism in the last decades (Dalpino 2013). In this context, it is important to distinguish cooperation concerning the settlement of the dispute from the broader developments of regionalism. The former has made only creeping progress.

While regionalism has been increased significantly, the dispute in the South China Sea has been touched but not ceased in any form. Therefore, it remains open to discussion, whether or not the increased regionalism does have vitally affected peaceful conflict settlement actions.

Moreover, an important question is, whether ASEAN has the capabilities and willingness to be the engine not only of Southeast Asian regionalism but also as the epicenter that challenges the conflict. So far, numerous actions were set by ASEAN itself or some of its members; for example, the Indonesian-led *South China Sea Workshops* are among the most known and important. However, the speed with which a Code of Conduct develops provides rather little hope for a strong role of ASEAN. This is mainly due to ASEAN's rather paralyzed stance on how to approach China given the vested interests by each of its members (Keck 2014a). Hence, the littorals remain prone to seek cooperation on bi- or multilateral basis and to invoke other institutions, like the United Nations or the Arbitral Tribunal at The Hague (Heydarian 2015). Despite the significance of submitting a case to The Hague, it remains open if this procedure can 'socialize' China and force them to adhere to international norms and rules. The fact, however, that China could so far ignore the arbitration procedures without punishment does not indicate significant relevance of the given institutions (ibid). Here, realists and neorealists might be right arguing that international institutions are often not worth the effort, if participants behave in defiance. This, however, shall not neglect the importance of ASEAN as the region's anchor but critique has to be addressed towards the indecisive regime that has emerged in the region. If one would analyze the forms of cooperation among the littorals and outside nations, one would find a quagmire, as it was already mentioned in prior sections of this thesis. On one side, there are close economic relations with China, while putting its security in the hands of the United States. A sole neoliberal analysis would not grasp this complex and often arcane picture sufficiently

If we consider the common used prisoner's dilemma, the underlying assumptions become clearer. To keep it simple, realists and neorealists would stress relative above absolute gains, as each prisoner wants what is best for him (Mearsheimer 1995: 19). Hence, rationality is rather defined in short-term cost-benefits of the egoist individual. This might be right in cases of single-Prisoner's Dilemma, but in international relations such games are not played only once but numerous on several occasions. Therefore, as Keohane (1984: 68) precisely captured it, if the game is played iterated '*defection is in the long run unrewarding, since the short run gains thereby obtained will normally be outweighed by the mutual punishment that will ensue over the long run*'. According to Keohane (ibid: 70) there are at least three problems that occur if using the neorealist rational-choice model to explain an actor's behavior. *First*, decisions are not entirely made voluntarily, considering the risk of inequalities of power. *Second*, individuals are not societal atoms without connection to others. *Third*, rationality does not equal egoism. To put this more straightforward, if an individual always behaves in regard to what is best for him, over time other individuals will adapt to this position '*leaving oneself worse off*' (ibid: 77). Thus, as neoliberals rightfully emphasize, relative gains are not only inappropriate to achieve but also more concerning than absolute gains.

3. Regional Security Complex Theory

Having outlined the core assumptions of the realist and neorealist, as well as liberalist and neoliberalist paradigm, this section enhances the theoretical fundament and introduces an alternative approach that emerged in early 2000 and aims to comprehensively understand particular security dynamics by looking on the regional level. More precisely, it is important to outline the essentials of the *Regional Security Complex Theory*, as the applied empirical framework is derived from certain key terms and concepts of the theory.

3.1. Basic Assumptions – The Shift Towards the Regional Level

In 2003, Buzan and Wæver published their seminal book *Regions and Powers. The Structure of International Security*, outlining a theory that focuses on the regional level and that contains elements of both neorealism and neoliberalism (Buzan and Waever 2003: 11). At the heart of this theory are so-called security complexes. These are ‘*defined as a set of states whose major security perceptions and concerns are so interlinked that their national security problems cannot reasonably be analyzed or resolved apart from one another*’ (Buzan, Waever, and de Wilde 1998: 12). In this context, Buzan and Wæver derive its focus on states and security from the neorealist paradigm, and the priority to lower levels of analysis from neoliberalism. The particular interest on the regional level has been a constant emphasis throughout the work of both authors. Already in 1998, they argued,

‘*that the collapse of bipolarity has removed the principal organizing force at the global level. [...] This situation creates weak leadership at the global level and, consequently, leads to the assumption that more than before, regions will be left to sort out their own affairs*’ (Buzan, Waever, and de Wilde 1998: 9).

With respect to the regional level, the authors have defined it, as ‘*the level where states or other units link together sufficiently closely that their securities cannot be considered separate from each other*’ (Buzan and Waever 2003: 43).⁵² Investigating the causes of a more regionalized world order, Buzan and Wæver (ibid: 11) have emphasized two major assumptions. *First*, there is a traceable decline of superpower rivalry and the accompanying effect of reduced penetration from the global level; and *second*, states – slightly refining Buzan and Wæver’s assumption, because they only saw this development for the former superpowers, the United States and the Soviet Union – are more restrained by domestic issues. Unlike neorealists’ suggestions, this in turn, has contributed to the increased struggle for global hegemony (Buzan 2011a: 18). Certainly, the first assumption also has to be reviewed not only with respect to China’s rise but also in the light of Japan’s review of Article 9 and how the government in Tokyo will interpret its increased leeway. Moreover, the notion of hegemony includes a rather limited approach to global politics, as only a few powers – namely those who have the necessary capabilities – would strive for hegemony and count as such. Leaving aside a more elaborated discussion of these two arguments, it is no rocket science to consider the current international system more volatile in terms of the distribution of power than it was during the four decades of the Cold War.

⁵² A region is defined as ‘*a spatially coherent territory composed of two or more states. Subregion means part of such a region, whether it involves more than one state (but fewer than all of the states in the region) or some transnational composition (some mix of states, parts of states, or both). Microregion refers to the subunit level within the boundaries of a state.*’ (Buzan, Waever, and de Wilde, 1998: 18-19)

According to Buzan (ibid), this has at least four important causes. *First*, the Western hemisphere is in relative decline in world politics. This is particularly illustrated in the diminished capabilities of the United States to function as leader and template for other states. Furthermore, *second*, it is highly difficult to overcome the constraints of anti-hegemonism and the socio-political difficulties connected to hegemonic ambitions. *Third*, there are less ideological differences in the world than in the Cold War period. Although we might approach another bipolar world order between the United States and China, clear-cut distinctions such as have been present between the Soviet Union and the United States (i.e. communism vs. liberalism, authoritarianism vs. democracy, planned social economy vs. liberal capitalism) are missing. *Lastly*, certainly among the most concerning causes is the situation that most great powers live on the edge of lurking socio-domestic struggles, economic turmoil and the ever present fear of war. This last cause is significant as it limits the leeway of action a given state can take to achieve its overarching objective, which still is to survive. Buzan and Wæver (2003: 47-48) have initiated its approach from this position, characterizing a standard Regional Security Complex (RSC) by patterns of rivalry, balance-of-power, and alliances.

In addition to these three characteristics, the authors have emphasized four constituting features of a Regional Security Complex in one of its earlier works (Buzan, Wæver, and de Wilde 1998: 15). *First*, a security complex is composed of at least two states. These states, *second*, constitute a geographic coherent group. *Third*, the relationships among the members of the group are marked by security interdependence, which, *fourth*, have not to be sturdy and firm. According to Buzan, Wæver and de Wilde (ibid: 12) there are only two conditions under which a security complex can fail or not-occur: lack of capabilities of the regional' states and overlay, which means that one state in the region is so powerful enough to cover a given region.

The structure of a security complex consists of four features (Buzan and Wæver 2003: 53): a boundary (to differentiate one RSC from another), anarchy (characterizes the relationship among the units), polarity (distribution of power within a region), and social construction (covers the patterns of amity and enmity). In this context, the authors have outlined four levels of analysis: domestic, intra-regional (state-to-state relations), interregional (regions-to-region relations) and the role of global powers in the region (region-to-global relations) (ibid: 51). These four levels '*offer[s] the possibility of systematically linking the study of internal conditions, relations among units in the region, relations between regions, and the interplay of regional dynamics with globally acting powers*' (Brackets Added; ibid).

On the evolution of a Regional Security Complex, Buzan and Wæver (2003: 53) have emphasized three possibilities: status quo, internal transformation, and external transformation. Most often, an external transformation occurs, if a region is penetrated by an outside power via security alignments or if two RSC merge together via defensive pacts or regional cooperation efforts (ibid: 46). Internal transformation, on the other hand, occurs if the structure changes essentially within the specific regional boundaries (ibid: 53). This can be happen by dynamics of regional integration, intra-regional struggles such as military conflict including occupation, and ideological shifts.

To put it more bluntly, a Regional Security Complex is basically a region that shares mutual security threats and interests. It is a region where a state cannot withdraw from the threat as the threat itself exercises vital security concerns for any state in the given region. Due to transformation processes, a security complex can evolve over time and transcendence beyond natural and historical geographic borders is not an exception. If we imagine a group of people on a green field, let us assume that there is only one source of water. In the past, each individual was able to access this source without any reluctance or that they have to pay for it. Whatsoever, one individual is poised to claim this source of water and make it available to others in exchange for money or other goods.

As the group of people constitutes a regional security complex, continuous access to the single source of water is a security concern for all at any time. Thus, any attempt to privatize this source will be perceived as a threat to the individual and will provoke a counter reaction. The water security threat has, therefore, the potential to evolve onto a higher level, for example, if the source of water on green field *B* runs dry and they now turn towards green field *A* to compensate their losses. Then, two former distinct regions merge together into a larger security complex and green field *A* and *B* has become sub-regions of the newly emerged larger regional security complex green field *AB*.

It should be enough to outline the essentials of the Regional Security Complex Theory, as it is more important in regard to establishing the empirical framework and to generate a more refined definition of internationalization. Therefore, it is not the purpose of this thesis to discuss the advantages and pitfalls of Buzan and Wæver's approach. Certainly, the theory has its appeals, especially with respect to the level of analysis. However, the question remains unanswered to which extent the regional level is the cause or effect of the global level, comprising a firm critique in regard to overemphasizing the regional level as the most appropriate level of analysis. This critique should not neglect the relevance of the theory nor shall it depreciate its methodological strengths. As we will soon see, compared to the classic paradigms of neorealism and neoliberalism, the Regional Security Complex Theory provides substantiated grounds to develop an empirical framework of internationalization. It contains appropriate terms and concepts that will help to define internationalization in such a way that it can achieve the stand-alone characteristic the thesis aims to accomplish.

Having presented the essentials of the theory, the focus now turns towards the security complex of concern, the *East Asian Security Complex*.

3.2. *The East Asian Security Complex*

The East Asian security complex consists of two sub-complexes, the Northeast and Southeast Asian Security Complex that have merged together in the aftermath of the Cold War. Buzan and Waever (ibid: 160-161) explain this development by four factors: The Rise of China and the evolving security community in Southeast Asia, which was accompanied by an attempt to socialize China towards certain norms and rules, and the increased economic interdependence among the states of Southeast and Northeast Asia. This merger has set the foundation for the most recent development – an emerging Asian supercomplex consisting of the East Asian and South Asian Security Complex (ibid 2003: 164-166; and Buzan 2011a). In this context, defining Russia as part of the post-Soviet Regional Security Complex, Buzan and Waever have tricked slightly in their own favor. If they would have defined this region otherwise as “Central Asia”, the supercomplex would also depend on the alignment of countries like Kazakhstan, Georgia, and of course, Russia. In this manner, it is way easier to argue for such a supercomplex to emerge, especially, if only the future of one country is decisive in this respect. Although, the role of Pakistan is not to be neglected, it is India that will set the path for the future of the South Asian Security Complex as it incorporates a unipolar position within the security complex (Buzan 2011: 1).

At this point, the prospects of the Asian supercomplex are still highly debatable. However, India's intentions continue to grow more precise and substantive (Ladwig III. 2009; Moss 2012; Zhao 2007). Hence, if Buzan and Wæver's suggestions hold true, the analysis should detect a certain importance of India in the internationalization efforts by Vietnam and the Philippines.

Box 3: The Regional Security Complex Theory and the South China Sea Conflict

An analysis of the South China Sea conflict based upon the Regional Security Complex Theory would focus on changes in the patterns of amity and enmity, the power distribution within the region and whether or not the conflict led to an external or internal transformation. Hitherto research has not resulted in an appropriate elaboration of this subject. This is unfortunate but does not diminish the advantage of a Regional Security Complex analysis, as it would present a refined look upon alterations on the domestic, regional, interregional and global level of a particular region in the world. Certainly, this would widen the scope of inquiry, presenting a more profound picture of the conflict in the South China Sea and its effect on regional security dynamics. Moreover, the emergence of an Asian supercomplex is an interesting research question in general. Taking into account the conditions of such a supercomplex to emerge, the degree of extra-regional powers concerned in the affairs of the region is the most single important indicator of this development. Doing so, the focus of analysis would turn towards the interregional level. Scholars could reasonably do so for at least two reasons.

The first is derived from the littorals' stable domestic, which are likely to remain so. In addition to this, second, despite tense skirmishes between the littorals' coast guard vessels, with particular reference to those of the People's Republic of China and that of Vietnam and the Philippines, it is rather unlikely that in the near future the conflict will evolve into a full-scale military war. Hence, the level to expect most alteration is the interregional one. As the littorals turn towards the outside global powers India, Russia and the United States, external transition is likely to occur any time soon. The question that remains open is whether or not such a transition will lead to an Asian supercomplex outlined by Buzan and Wæver or a supercomplex that might include other countries such as Russia (Buzan and Wæver 2003). Geographic proximity as well as strategic considerations lifts India at center-stage, but by no means this will present the end of history. An empirical study outlined by this thesis, cannot answer this question sophistically but it might help to shed further light on this subject and bring into question the role of other potential powers in this context.

Having presented the core assumptions of two central theories of international relations, neorealism and neoliberalism, plus a brief examination on how they would analyze the South China Sea conflict, this chapter turned towards the Regional Security Complex Theory. The value of this theory will become more distinct in *Chapter 6* when the empirical framework will be established. There, the RSCT functions in many aspects as a glossary from which the analytical framework is derived. Before proceeding further with the methodological part of this thesis, it is important to explain the rationale for this specific approach to conceptualize internationalization. The central aim is to focusing first on the empirical evidence, which then will guide the discussion and analysis, aiming to overcome the bias inherit to a single theory analysis. Although there is valid ground for such an alternative approach, it should not lead to the conclusion that empirical grounded approaches are the panacea to overcome the limits of neorealism and neoliberalism. It is one example of a "tool box" approach '*to synthesize certain theories to build up new frameworks in Southeast Asian studies*' (He 2008: 492). In this context, leaving aside one clear set of theoretical propositions to understand a given aspect of global politics aims to present a more vivid and comprehensive debate that pays close attention to the subtle distinctions.

CHAPTER 5: “EMPIRICS FIRST” – THE SOUTH CHINA SEA CONFLICT AND THE NEED FOR NEW ANALYTICAL FRAMEWORKS

Since the mid-1990s, a vivid debate (Acharya and Buzan 2007; Chen 2011; Goh 2008; He 2008; Kim 2008; Ikenberry and Mastanduno 2003; Johnston 2012; Kang 1995, 2003a, 2003b, 2004 and 2013; Wang 2004 and 2010; and Yahuda 2008) has evolved in the field of International Relations Theory that discusses the question of whether or not existing IR theories are suited to analyze and explain the experiences of Southeast and Northeast Asia. Having extracted its basic propositions from classical thinkers like Hobbes, Rousseau, Marx or Kant, the majority of the theories have its roots in “Western” history and philosophy (Ikenberry and Mastanduno 2003: 2). Applying these theories without recognition of the distinctive cultural and historical differences that certain regions of the world contain, would assume applicability of the very same set of assumptions in a global context (ibid). This universal claim was denied to international relations by Acharya and Buzan (2007: 293), who argued that IRT has only claimed universality in the meaning of Gramscian hegemony, whereby it is a latent element in the minds of individuals failing to look beyond established and acknowledge alternative paradigms.

Two different streams have emerged over time that split the debate. While one stream focuses on the historical analysis of international relations in Asia, the second stream investigates the applicability of IR theories to explain the current security dynamics in Northeast and Southeast Asia. Regarding the historical analysis of international relations, this stream is dominated by the work of Amitav Acharya, David Kang, Samuel Kim and Wang Yuan-kang. Whereas Wang has argued that ‘*realism does a reasonable good job in explaining not only Western but also Asian experiences*’ (2004: 174), Kang has continuously pointed out significant pitfalls in applying classic IR theories. Historically, Kang argued, ‘*in many ways the patterns of conflict, the patterns of interaction, and the norms, institutions, and ideas that developed in East Asia were quite different from those in Europe*’ (Kang 2013: 200). His empirical analysis of the historical tribute system has led Kang to the conclusion that ‘*Historically, it has been Chinese weakness that has led to chaos in Asia. When China has been strong and stable, order has been preserved*’ (Kang 2003a: 60). In this context, Kang has characterized the regional relations in Asia as being historically more hierarchic, peaceful and stable compared to the experiences of the Western world (ibid).

Unfortunately, while implying these historical insights in the analysis of the more actual situation, Kang does not move beyond commonplaces when he argues that ‘*There seems to be no a priori reason to think that merely because old multipolar Europe was conflictual, modern multipolar Asia must also be conflictual*’ (Kang 2004: 183). While his research remains focused on the historical international relations, the second stream of the debate, which consists of scholars like Barry Buzan, Evelyn Goh, Kai He and Michael Yahuda, is more concerned with the practical applicability and the exploratory power of International Relations Theory to explain the Asian experiences, particularly focusing on Southeast Asia. Especially the work of Goh (2006, 2008 and 2013) has produced numerous refreshing and challenging insights on realist and neorealist applicability in regard to the behavior of the Southeast Asian nations. Given its popularity and prominence among students and scholars of international relations, as well as its status in understanding global politics, it is no surprise that the realist camp has sparked the most controversies. The Southeast Asian countries’ ‘*approaches to regional security after the end of the Cold War and with the rise of China, however, are not easily characterized using the prevailing lenses in international relations theory*’ (Goh 2008: 114). With respect to the South China Sea conflict, Goh’s evaluation is even more relevant, as the littorals have neither balanced the dominant power (United States), nor the aspiring power (China) (ibid: 131-132).

Quite contrary, the littorals have been succeeded in outbalancing both preponderant bullies in the South China Sea, whereby enmeshment has evolved as the backbone of the littoral's security strategy. Enmeshment refers,

'to the process of engaging with a state so as to draw it into deep involvement into international or regional society, enveloping it in a web of sustained exchanges and relationships, with the long-term aim of integration' (ibid: 121).

Without outlining a specific empirical framework, Goh's considerations present not only an already refined approach to understand the situation in Asia more appropriate but highlights already one major rational for the littorals' internationalization acts. In this context, enmeshment is the overall strategy, and internationalization one element of it. This should to no extent deny the importance of the existing theories in international relations. Quite the contrary, the various authors have aimed to highlight evidence that might disturb the theories' basic assumptions (Kang 2003: 59), contributing to an evolution of the theories by testing them rather than generally sacking them. Therefore, the question should not be whether or not different theories of international relations are applicable to explain the behavior of state in various regions of the world, but to ask for how well they explain this behavior. Theoretical concepts like balancing, bandwagoning or international cooperation are important and powerful terms to understand and explain the international relations of states. However, contradiction and non-occurrence of certain presumptions might occur more often than neorealism and neoliberalism would assume.

In this context, Kang (ibid) is right in his argument that the existing theories should pay closer attention to the disturbing evidences with the purpose of sharpening its own propositions. Having failed to do so, particularly realism and neorealism have *'yielded several mistaken conclusions and predictions about conflict and alignment behavior in Asia'* (Kang 2003a: 58). Among those predictions, Friedberg's (1994) thesis that Asia is "ripe for rivalry" is probably among the most known. Certainly, as the conflicts in the East China Sea and especially in the South China Sea have become fiercer, his argument might slowly turn out to be valid. However, this should not neglect the fact that the countries of Northeast and Southeast Asia have been able to manage and prosper alongside each other in the last two decades (He 2008: 490). This is even more astonishing in regard to Southeast Asia's regional heterogeneity, which illustrates a microcosm of cultural, religious and socio-economic as well as political diversity that makes it a real success story. Friedberg (1994: 31) has based his predictions on the insights realism and neorealism provide on multilateralism, which evolved as the default polarity in Asia in the aftermath of the bipolar Cold War international order.

International Relations Theory struggles to comprehensively explain multilateralism in Asia (He 2008: 490-491). While realism and neorealism cannot account for the high degree of institutionalization in the region, neoliberalism cannot explain, *'why economic interdependence between the Asian states has not resulted in the elimination of the distrust between them'* (Yahuda 2008: 342), despite the variety of existing institutions. Multilateralism, however, is not the only "Asian singularity" that the existing theory fails to explain profoundly. Ikenberry and Mastanduno (2003: 2-3) have argued that the stability in the Asia-Pacific would depend on the behavior of China, Japan and the United States. This purely (neo-) realist argument is difficult to oppose. Nonetheless, it reveals at least two problems. *First*, the strong focus on the greatest powers in the system diminishes and often neglects the importance and relevance of the regional level and intraregional developments. This has been theoretical addressed by Buzan and Wæver (2003). In addition, Kang (2004: 176-179) and Yahuda (2008: 349-350), *second*, have argued that tensions in Northeast and Southeast Asia have not risen from the greatest powers but from the small and medium powers.

In Northeast Asia, the Taiwan Strait and North Korea remain at least two vital threats to the region's security, although the Taiwan issue has become relatively calm in recent years (DeLisle 2010; Tang 2006). Referring to Southeast Asia, a more complex picture evolves. The South China Sea conflict includes powers from all three levels of power – small, medium and great – and is dominated by the struggle between the great power China and the medium powers of Vietnam and the Philippines.⁵³ Moreover, although the level of involvement varies among the nations, the region itself contains primarily of medium powers (Indonesia and Malaysia) as well as small powers (Singapore and Brunei). The importance and the influence of the great powers have certainly increased since 2009 when China again enhanced its assertive behavior in the region (Brown 2014, International Crisis Group 2015, Yahuda 2013) and the United States launched its “Pivot to Asia” (Lieberthal 2011). Moreover, the extended presence of India in the region has further put pressure on the dispute (Panda 2015, Puri and Sahgal 2011, Scott 2013). In this regard, with the epicenter of conflict likely to be relocated to the great power level in the past six years, Kang and Yahuda's argument seems obsolete.

However, such an evaluation would be premature and inadequate for at least three reasons. *First*, it is not necessarily plausible that the behavior of the medium powers can be deduced from an analysis of the great power level alone. This would furthermore assume that great power calculations superimpose and supersede the strategic thinking of the medium powers, framing them rather as dependent and immature actors. Closely connected to this, is the fact that no state acts in isolation from each other. Any action that is set by littoral *A* will provoke a reciprocal reaction by one or many other littorals. Thus, it is not immediately obvious why there should be more emphasis paid on the behavior of the great powers than on medium and small powers. Thanks to Newton's third axiom, we are well aware that every action leads to a reaction. *Third*, taking into account non-traditional security threats in the region, Kang's argument remains relevant. Piracy, terrorism or human trafficking, just to mention a few, originate in and is an issue primarily between the medium and small powers of the region.

‘*The paradigm wars have grown stale*’, as Kang (2003a: 83) has noted, and ‘[P]itting *realism, constructivism, and liberalism against one another and then attempting to prove one right while dismissing the others has created a body of soul-crushingly boring research*’ (ibid). Whether or not one agrees with this statement, the argument for new approaches that look beyond pure power politics, particularly those of the greatest actors in the international system or a given region, is not in order to disregard the existing theories but for the sake of analysis and our understanding of the region. The future challenge to us scholars of international relations has been put in a nutshell by Ferguson (2014: 24):

‘At times, it can seem as if we are condemned to try to understand our own time with conceptual frameworks more than half a century old. Since the financial crisis that began in 2007, many economists have bent reduced to recycling the ideas of John Maynard Keynes, who died in 1946. At the same time, analysts of international relations seem to be stuck with terminology that dates from roughly the same period: ,realism‘ or ,idealism‘, containment or appeasement. [...] Yet our own time is profoundly different from the mid-20th century’.

Against this background, the thesis wants to present the “empirics-first” approach as a response to Kang's (2003a) call for “new analytical frameworks”. It is the uttermost belief of this thesis that there are topics that so far are rather understudied, whereby they provide an interesting case to explore alternative strategies to investigate these topics. Internationalization is one such issue and it is a prime example. So far, it has attracted little attention by International Relations Theory, failing to profoundly conceptualize the topic.

⁵³ Beside the South China Sea conflict, there are at least two other important disputes between Singapore and Malaysia, and Thailand and Cambodia.

Instead of approaching this subject from an isolated neorealist or neoliberal perspective, it might be more appropriate to develop frameworks that either aim to combine the relevant theoretical concepts, or that focus primarily on the assessment of the empirical evidence which in return will guide the analysis and explains a certain phenomenon. This thesis will follow the latter. In this context, the task is not primarily to evaluate which theory is best to describe the phenomena of internationalization but to assess what actually happens. This empirical evidence, once worked off, shall then be discussed by using several assumptions of neorealism and neoliberalism. Those two have been chosen due to their status and prominence in International Relations Theory and the debate they have already produced. Moreover, internationalization as defined and used in this thesis is located at the intersection of neorealism and neoliberalism, as it contains elements of balancing and cooperation, as well as deepening the web of interrelations between states. In doing so, the thesis regards the border between theoretical concepts and propositions as fluid not fixed. Additionally, the strong empiric emphasis seeks to avoid a theoretical bias, whereby the approach aims to contribute to our understanding of the reality in Southeast Asia, and particularly of the South China Sea dispute, which shows close economic ties to China and strong security links to the United States, while at the same time entangle several regional and extra-regional powers, more sophisticated.

The aim of this chapter is to outline the major rationales for the distinctive methodological approach of this analysis. Two factors have emerged central for the argument: *First*, a general discomfort with the existing theories, and *second*, the opportunities such an understudied subject of international relations provide. With this in mind, the analysis is now able to proceed to the methodological section of the thesis, which will define internationalization and compiles the analytical framework.

CHAPTER 6: DEFINING “INTERNATIONALIZATION” AND GENERATING THE EMPIRICAL FRAMEWORK

Although latently anchored in International Relations Theory, *internationalization* has not been conceptualized as an explanatory factor in global politics. This does, by no extent, mean that IRT has neglected the fact of internationalization completely. To the contrary, internationalization is being adequately considered by IRT within its own academic approach. However, the lack of theoretical and empirical frameworks leaves ample room for a profound conceptualization of *internationalization* to emerge. This thesis unquestionably cannot fill this gap comprehensively but it is able to provide a first understanding of the term *internationalization* and a possibility of assessment. Thus, the focus is not on generating theoretical principles but on the elaboration of an empirical applicable framework. The remainder of this chapter will first outline some general definitions of the term *internationalization* and generate a more appropriate definition before establishing the empirical framework.

1. What is Internationalization

In the following, we will first touch upon some general definitions of *internationalization*, and how it is understood in academia. This shall help to understand the term as such better, before the definition how this thesis use the expression will be presented.

1.1. Common Definitions

Internationalization has emerged as a relevant central term foremost in economics. Generally speaking, it refers ‘[T]o the growing tendency of corporations to operate across national boundaries’ (Business Directory 2015). In regard to aspects of marketing, it is ‘[A]n approach to design products and services that are easily adaptable to different cultures and languages’ (ibid). Internationalization in this context is a mechanism to transform issues and items from the local to the global level. Therefore, it is important not to confuse it with globalization. While globalization rather refers to the process of integrating national economies into a global economy, internationalization means ‘the increasing importance of international trade, international relations, alliances, etc.’ (Daly 1999). As the term inter-national points out, nations or states remain at the center of interest. If translating this economic-based definition to international relations, *internationalization* can be best described as a process of increased involvement of states and international institutions in localized conflicts and disputes.

1.2. Internationalization and International Relations Theory

This thesis has already emphasized the fact that International Relations Theory rather deals with *internationalization* as a latent than manifest aspect of global politics. This has led to the result that there is no sophisticated elaboration on the topic, whereby scholars can neither draw upon any clear-cut definition of the term in an IR context, nor do frameworks exist to allow for an empirical analysis. Certainly, this is odd given the fact that neorealism and neoliberalism actually have much to say on the issue of internationalization. While the neoliberalist subject of international cooperation already refers to acts of internationalization, neorealist concepts like balancing or buck-passing are in one way or another likewise acts of internationalization. If we consider two examples, this argument undoubtedly becomes more distinctive.

In accordance with offensive neorealism, as it was outlined in *Chapter 5*, the preferred strategy of the United States to approach aspiring powers like China is not to balance these countries directly but to stand aside as long as possible and devolve the responsibility of balancing another country. This is what has been defined as *buck-passing*. In the case of the rise of China and the South China Sea the aim would be to balance China's aggressive behavior in the Sea without getting directly involved in the act of balancing. For reasons of simplicity and taking into account the nested relations and limited capabilities of most of the littorals, we would assume Japan to be among the most likely buck-catchers.⁵⁴ Passing the buck of challenging⁵⁵ China to Japan, the United States reasonably internationalizes the issue of balancing China.

The *second* example, based on a Neoliberal background, might even be more enlightening. *Internationalization* in a Neoliberal context would include among others acts of cooperation or the invocation to and submission of particular cases to international organizations, such as the International Tribunal for the Law of the Sea (ITLOS) in Hamburg. Two recent cases are worth mentioning in this context. *First*, although firmly neglecting any efforts of internationalization set by whichever littoral, China took the HYSY-981 oilrig dispute with Vietnam to the UN (Keck 2014b). Despite the puzzling motivations of the Chinese move, it is not an unfamiliar procedure in the region. The Philippines have acted in the very same manner when they submitted its case of territorial sovereignty against China to the Permanent Court of Arbitration in The Hague (PCA Press Release 2013).

These examples, despite being outlined rather briefly, are vivid illustrations that countries do set actions of *internationalization*, which are reflected by key neorealist and neoliberalist' terms and assumptions. The conundrum to be solved then is how a more profound examination of *internationalization* is to be achieved. It seems that neorealism and neoliberalism do not concede autonomy to the process of *internationalization*, resulting in the fact that it is rather not a worth-to-consider solitary aspect of global politics. Consequently, they fail to address three important questions beyond their own theoretical projections and expectations: In which policy areas does internationalization occur? What are prohibiting and promoting factors of internationalization (for example, the form of cooperation, relations of the cooperating country to other states in the region, scope of cooperation)? What are impacts and effects of internationalization (number of stakeholders increased, cooperating countries closer engaged in national and regional affairs, change in regional power distribution)? Given the relevance of internationalization, it is rather puzzling why only few empirical or theoretical driven examinations (i.e. Buszynski and Sazlan 2007, Hiep 2014) have been done yet to grasp the larger picture of the issue. Among those examinations, cooperation in the realm of energy has produced the most significant insights.

1.3. *Internationalization and Energy Cooperation*

Energy cooperation serves as a prime example to analyze internationalization. Buszynski (2003: 345) provides a straightforward argument why internationalization is an important aspect of world politics, arguing 'When smaller states are able to involve the international community by portraying the issues as one affecting regional or global stability, unilateral action becomes excessively risky'. Although this argument reflects a rather normative understanding of the international system, depicting it as a community that is associated to norms, rules and values, it is a valid one.

⁵⁴ Lind (2004) is an interesting article in this regard. However, one could easily make similar statements on the behavior of any other littoral, aiming to rather than facing the threat itself, they throw the buck towards other states. The example of Japan, taking into account a more assertive foreign policy towards China in the aftermath of the review of Article 9 is valid. For more on the Japanese reinterpretation of Article 9 see Fatton (2014) and Mirski (2014).

⁵⁵ I am not using the term "balancing" on purpose to avoid terminological obscurities.

Leaving aside a realist and neorealist critique of this normative foundation, it is fair to assume that most states, especially as they nevertheless act in accordance to its specific capabilities, regard the inclusion of one or more actors into a certain affair as an act to diminish the leeway of unilateral actions of any other states. In this context, internationalization can function as a vital strategy to initiate a solution seeking process (Buszynski and Sazlan 2007), especially if the number of stakeholders increases. Energy cooperation is a confidence-building measure among the disputing littorals and stakeholders (ibid: 156-157). At the same time, however, internationalization can further contribute to fierce competition, particularly if other countries in the region see the close engagement of foreign companies and states as a threat to their own security.

There exists a valid case that illustrates this. Oil and gas exploration and exploitation activities are among the most decisive economic features in the South China Sea and have been an early source of conflict. Most of these exploration and exploitation activities are conducted via cooperation with foreign firms. For these foreign firms, the unresolved territorial disputes in the South China Sea is one key concern, as they temporarily face tense pressure emanating from any littorals' government. In 2009, the British oil company British Petroleum (BP) withdrew from two exploitation sides in Vietnam, arguing that they have been put under pressure by the Chinese government (Jenny 2014; Topix 2015). While BP's justification shows the extent to which powerful states like China can extort private companies' interests, the involvement of foreign private and particularly state or part-state owned oil and gas companies can exert the very same pressure on assertive littorals like China, as any attack on foreign assets would cause diplomatic troubles. The statement made by the former Indian Navy Chief D.K. Joshi puts this in a nutshell:

'Not that we expect to be in those waters very frequently, but when the requirement is there for situations, where the country's interests are involved, for example ONGC Videsh, we will be required to go there and we are prepared for that' (Joshi cited in Sandeep 2012).

Given the fact that Joshi has said this on the eve of the Indian Navy Day, there is some truth in his statement that most littorals have in mind, if not silently hoping for it, when striving for cooperation with foreign firms. As the thesis has mentioned it on numerous occasions, the central argument apprehends internationalization as one form of hedging that aims to increase the leverage of the internationalizing towards other countries. Essentially, is one form among many to improve the national security of a state by engaging or cooperation with other actors, whereby these other actors gain a stake in a particular issue. Whether or not this stake is decisive enough to become an assertive actor depends primarily on the capabilities and willingness of a state to protect its economic assets, which is especially questionable in regard to private firms. To give an apt example, if Vietnam actively seeks to internationalize its oil and gas activities and ONGC Videsh, India's national oil company, is responding to Vietnam's call it acquires an interest in the region. Moreover, connected to the statement made by Joshi, it seems to regard its stake in the Vietnamese offshore sector as a vital national interest, which leaves ample room for justifying an increased Indian presence in whatever form in the region.

This interpretation should be kept in mind when analyzing the effects of internationalization. Before the thesis can move on to generate the empirical framework, a definition of internationalization is necessary.

2. “Internationalization” – A Refined Definition

Internationalization used in this thesis is closely linked with three features: Cooperation, engagement and the level of internationalization. These three features provide an appropriate and sufficient background against which the definition will be generated. Therefore, the following paragraphs will first touch upon each of these features before the definition will be outlined in the end of this section.

2.1. Cooperation and Engagement

Although Goh (2006 and 2008) does not link “enmeshment” directly with cooperation, it is an essential element of the concept. In regard to cooperation, there are at least two differing definitions. One was already introduced in the presentation of neoliberalism and outlines an instrumental understanding of cooperation. According to this line of thinking, cooperation is ‘*a process by which states actively adjust their policies to take into account the preference of others*’ (Caporaso 1992: 603). Another definition outlines a game-theoretic understanding, whereby cooperation is defined as a choice that ‘*generally represents an effort to take account of the other players’ interests, even if the dominant interest is to defect*’ (ibid: 603-604). These two definitions, despite being valid in their own terms, are rather inconclusive for the purpose of this thesis, because neither is focusing on an analysis restricted to states, nor is the thesis concerned with transaction costs, as a neoliberal analysis of cooperation would require. Therefore, cooperation is defined in a rather generalized form as ‘*an act or instance of working or acting together for a common purpose or benefit*’ (Dictionary 2015). This leaves ample room for state and non-state actors and differing interests for cooperation.

In regard to exploration and exploitation activities, states either cooperate through its state-owned companies, or award concessions to foreign firms. Taking into account the larger picture, whether or not the interests of a state-owned enterprise are similar to the interests of its owner, the state, is not a matter of concern.⁵⁶ As the above statement of Joshi has shown, although ONGC Videsh is a multinational company that acts on the global market, its status as a *Public Sector Undertaking* (PSU) inevitably links it to governmental interests. This has at least two implementations, which were already mentioned in the prior chapter. *First*, any pressure that will be put on ONGC Videsh in the South China Sea is perceived as a challenge to the Indian government. At the same time, *second*, it is not utterly out of the question, that the Indian government – to exert a more assertive stance in the region – will use ONGC Videsh to provoke exactly such kinds of pressure.

Sticking to a broad definition of cooperation, understood as an act of “working together”, one central purpose of it is to *engage* others on a certain matter. This can be done either by directly transforming a particular actor into a stakeholder, or less directly involved, the actor functions as a mediator or supporter of the given state. Moreover, Goh (2008: 121) has pointed out the fact that particularly in Southeast Asia states aim to engage more actors into the region’s affairs to generate and extend a certain set of entanglements. Doing so, states strive for increasing their leverage towards other states. Leverage has been defined in an earlier work of Goh (2006) as a strategy of states, whereby ‘*they establish military relationships with other states*’ and ‘*avoid committing themselves to potentially antagonistic stances towards other states most of the time*’ (ibid). Bringing both features together, states aim to hedge against other states (i.e. against more powerful states) by engaging more actors into a certain conflict or issue. For a conflict or dispute to exist, it requires at least three actors.

⁵⁶ More precisely, the question is whether or not this applies also for non-state companies. However, I would suggest that it is fair to assume that even in the withdrawal of BP in 2009 has not come without diplomatic skirmishes between the Chinese and British government.

As long as an issue is discussed and fought out between two states, there is no internationalization taken place. Therefore, internationalization is distinct from international, meaning that the former is a process, whereby a certain state aims to include at least a third actor into a given issue. This third actor can be a state or non-state actor, firms or international institutions. Inter-national, on the contrary, simply illustrates where the issue is located, namely among nations respectively beyond national borders in the case of firms and companies. In regard to international relations, taking into account the increasing emphasis on the regional level, internationalization can occur on two different levels: Regional and global.

2.2. *The Level of Internationalization – Regional vs. Global*

To frame the definition more detailed, the Regional Security Complex Theory provides certain useful insights. Among those insights, the emphasis on the regional level is the most noteworthy (Buzan, Waever, and de Wilde 1998: 9). This emphasis allows to distinguishing between two separate levels of internationalization, the regional and the global. In this context, regions are defined in accordance with the classification made by Buzan and Wæver (2003). As we will touch upon this topic in more detail in the next section, when establishing the empirical framework, it shall be pointed out that as long as a certain conflict or specific issue is internationalized among states and non-state actors of a particular region, the issue as such is internationalized regionally. To put this more precisely, regional internationalization refers to intra-regional cooperation. Contrary to this, internationalizing an issue to the global level means to cooperate with extra-regional state and non-state actors. To recall the two examples mentioned above, the Philippines and China have chosen to follow the “liberal” path, using international institutions and courts to settle a particular issue, instead of unilateral actions. Moreover, they both have chosen to internationalize the subject of a given territorial conflict globally. Whether or not there are significant differences between internationalizing an issue regionally or globally will be one aspect of the later analysis.

2.3. *Defining Internationalization*

To repeat the key assertions of the prior elaboration, *internationalization* is closely linked with three features: Cooperation, engagement and the level of internationalization. Moreover, the purpose of internationalization is to increase a state’s leverage, including several forms of and actors for cooperation. Among those actors, states and non-state actors, private companies and international institutions are the most important ones. While the actor and form of cooperation differs from issue to issue, with whom and how a state cooperates, can significantly affect the outcomes of the internationalization act.

Against this background, the thesis defines *internationalization* as follows:

Internationalization is an act of leveraging, whereby a given actor initiates a certain form of cooperation with at least one other actor on the regional or global level, aiming to engage this actor in a specific affair of the initiating actor, effecting regional and/or global dynamics.

This definition provides a more refined and appropriate version of the term *internationalization* in regard to international relations, without being restricted in any form solely to international relations. What kinds of effects an act of internationalization can produce differs from the particular situation. The thesis will be explaining this at length, throughout the later analysis. Having defined *internationalization*, the thesis will now turn towards the generation of an empirical applicable framework.

3. Generating an Empirical Framework of Internationalization

Before proceeding with generating the framework (Figure 1), it will be useful to recall the first research question: *Why and how have Vietnam and the Philippines internationalized its energy exploration and exploitation activities in the South China Sea since 2002?* To answer this question, and with respect to the prior established definition, it is important to assess three distinctive elements: The level of internationalization, the form of internationalization, and the effects of internationalization.

3.1. *Step 1: Assessing the Level of Internationalization*

Step one of the analytical framework is the assessment of the level of internationalization. We already came in touch with this in the previous section. The key point of this initial step is not only to evaluate whether or not internationalization does occur, but also with whom a given actor cooperates. As the thesis already has outlined, the level of internationalization is measured in regard to geography. In this context, we will draw upon Buzan and Wæver's (2003: 11) regional security complexes. To be clear, the thesis will use them as an instrument to distinguish different regions of the world and to separate the regional from the global level. Although the thesis will not be engaged in an in-depth analysis of the regional security dynamics, the core assumptions of the RSCT is not questioned at all. More precisely, among the five levels of analysis outlined by Buzan and Wæver (2003: 51), the thesis is concerned with the regional and interregional levels, whereas the latter is equated to the global level. According to their illustration of the post-Cold War world, there are nine fully mature regional security complexes and two proto-complexes (ibid: xxvi). The mature RSCs include: the North American RSC, the South American RSC, the European RSC, the post-Soviet RSC, the Middle Eastern RSC, the Southern Africa RSC, the Central African RSC, the South Asian RSC, and the East Asian RSC. The two proto-complexes consist of the "Horn-proto-complex" (South Africa), and the West-African-proto-complex. While defining the regions of the world according to Buzan and Wæver, the thesis will not challenge their arrangement as such, except for leaving aside the possibilities and constraints of an Asian supercomplex.⁵⁷ Therefore, cooperation among actors within one of these nine regions is defined as *regional internationalization*. Contrary to this, cooperation among actors from either of these regions is defined as *global internationalization*.

3.2. *Step 2: Assessing the Form of Internationalization*

In which form actors cooperate is dependent on the particular issue of concern. In regard to energy exploitation and exploration, there are four key types of cooperation, respectively contracts expectable: production-sharing agreements, concessions, Service Contracts (SC) and joint ventures (OpenOil 2013: 27). *Production Sharing Contracts* (PSCs) have first been established by Indonesia in 1966. When using this form of cooperation, a state does not give up ownership of the ground and the resources that lie underneath. Therefore, states have to engage a company to deal with the task of exploration and exploitation (ibid: 28). Distinguished from such agreements are Service Contracts, which do not affect the issue of ownership, as companies are charged to exploit the resources in return for a fee (ibid). Contrary to this, concessions include the alienation of property rights to a company, including the exclusive right of exploitation once resources were found (ibid: 27).

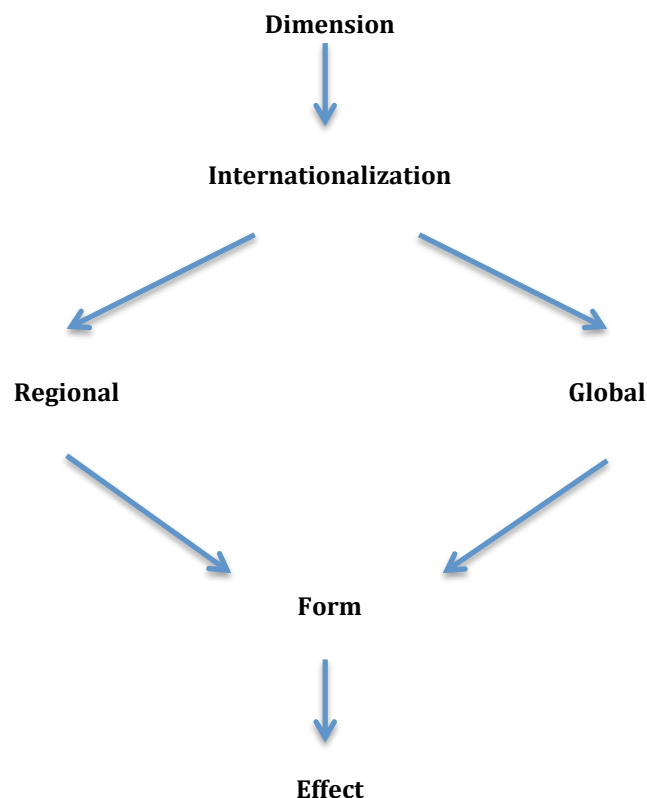
⁵⁷ The reason for this has been already presented and includes among others the still early stage of this development and Buzan's (2011a) recent pessimism on supercomplex to emerge at all.

Joint ventures are arrangements of national oil companies and foreign firms that are awarded with certain rights from the government to explore and exploit a certain area (ibid: 28). Furthermore, in regard to the South China Sea there have also existed other forms of cooperation, for example the *Joint Maritime Seismic Undertaking* (JMSU) between Vietnam, China and the Philippines (International Crisis Group 2012b). However, such types of cooperation have only existed temporarily and are difficult to achieve again under the current circumstances.

3.3. Step 3: Assessing the Effects of Internationalization

As effective and reliable tools to measure the effects of internationalization are missing, the thesis will propose the number of stakeholders as the decisive unit to assess the effects. In this context, the analysis has to look for changes in the structure of cooperation and partnerships. Thereby, it is essential, whether or not the number of stakeholders has increased and who these stakeholders are. Stakeholders are defined as oil and gas companies that acquired an interest in the littoral's oil or gas blocks and consist of national and private companies, as well as states. It is important to emphasize at this point, that assessing the effects of internationalization does not equal an evaluation of the wider implications of internationalization for the national or regional security. As this will be done in the discussion part (Chapter 8), the analytical assessment will primarily pay attention to the empirical evidence. This evidence will now be assessed, using the outlined framework.

Figure 1 - Threefold Scheme of Internationalization (Own Depiction)



PART III

EMPIRICAL ANALYSIS AND DISCUSSION

Chapter 7: Assessing the Empirical Evidence – The Internationalization Efforts of Vietnam and the Philippines

Internationalization of the exploration and exploitation activities have been among the most concerning issues in the South China Sea since the first oil and gas deposits were explored in the mid-1970s. In the following chapter, the prior outlined framework is applied to assess the internationalization activities of Vietnam and the Philippines. Before proceeding further, a brief comment has to be made on the used data.

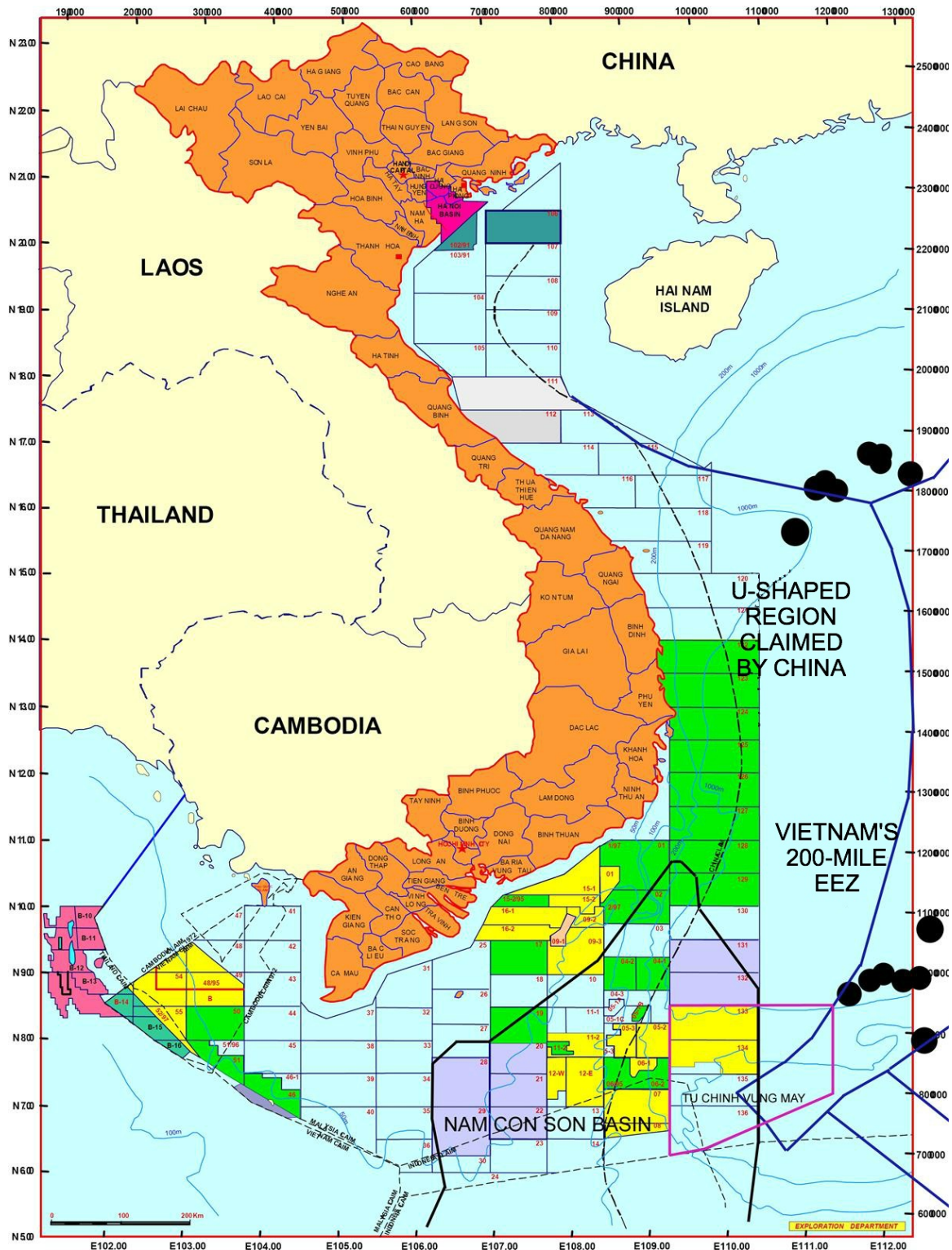
In general, it has been difficult to receive reliable information from either the *Ministry of Industry and Trade (Bộ Công Thương)* (MOIT) in Vietnam, to which energy related issues are subordinated, or from the Philippines *Department of Energy (Kagawaran ng Enerhiya)* (DOE). The same can be said about both countries national oil and gas companies. Neither *PetroVietnam (Tập đoàn Dầu khí Quốc gia Việt Nam)* nor the *Philippines National Oil Company (Pambansang Kompanya ng Langis ng Pilipinas)* (PNOC) has responded to any request. An extended query that included most of the known exploration and exploitation companies in the region, including among others Petronas of Malaysia, ONGC Vides of India, Royal Dutch Shell of the Netherlands, or ExxonMobile of the United States has not produced any significant data to work with either. However, PetroVietnam has published a list of agreements, which the company signed until 2010 (PetroVietnam 2012). This publication has been added and updated by an intense online research that searched for the owner and operators of the Vietnamese offshore oil and gas blocks, which finally resulted in the compilation of a usable list (Appendix 1). With respect to the Philippines, a list of existing Service Contracts was used that registered all agreements until 2013 (PECR5 2015). Thus, like in the case of Vietnam, all Service Contracts were reviewed and updated to provide the latest information accessible (Appendix 2). Despite all efforts, it was not possible to extract the specific economic build-up (who is the owner, who is the operator, how is the interest shared) of each single block. Similarly, most of the exploration and exploitation activities have been conducted since the mid-1970s and were expanded over time, if economically beneficial and technological feasible. The analysis, however, will only take into account the latest development, referring to former changes wherever necessary and appropriate.

1. Internationalization Efforts by Vietnam and PetroVietnam

Within the Vietnamese claimed territory of the South China Sea are the second largest oil and fourth largest gas deposits located (EIA 2013). In regard to exploration and exploitation, the national *Vietnam Oil and Gas Corporation*, which is better known by its international name *PetroVietnam* (PVN), is the most important company. PetroVietnam was established in September 1977 by governmental decree and signed its first three agreements with foreign oil and gas companies in 1978 (Deminex of Germany, Agip of Italy, and Bow Valley of Canada) (PVN 2010, PetroVietnam 2012). In 1981, Vietnam and the former USSR signed an agreement that founded the *Vietsovpetro Joint-Venture* (in the following simply referred to as Vietsovpetro) (PVN 2010), which received extension until 2030 in 2010 (Toan 2010). Until today, PetroVietnam has signed more than 100 contracts with foreign firms and the Vietnamese government awarded numerous blocks to foreign companies.

Moreover, in the past three decades, particularly since the exploration of significant deposits in the Bach Ho field, PetroVietnam has been able to develop as an important energy company in the region. The Cuu Long Basin, where the Bach Ho field is located, is among the three most important offshore spots in Vietnam (EIA 2013b). The other two are the Song Hong Basin in the Northwest and the Nam Con Son Basin farther South of the Cuu Long Basin (ibid).

Map 2 - Vietnam's Offshore Oil and Gas Blocks (Source: The Hanoist 2012)



1.1. Level of Internationalization

In accordance with the analytical framework outlined in *Chapter 6*, the first step is to assess the level of internationalization. Currently, Vietnam has about 59 active agreements (Appendix 1) covering 63 offshore oil and gas blocks that have been signed with 39 firms from 19 different countries (Table 2).⁵⁸ While only eight of the 59 agreements are operated from one company, a split in ownership and operatorship characterizes the majority of them. According to the gathered data, 26 out of 59 agreements are conducted by mixed ownership and operatorship between two companies with the remaining 25 maintained by more than three stakeholders. PetroVietnam and its subsidiary PVEP that are operating two blocks on their own, are engaged in the majority of the agreements either as an equal or minor stakeholder. In this regard, only 22 agreements have been fully outsourced, meaning that PetroVietnam or PVEP has no stake in the given agreement at all. This does not mean that the government has no interest in it, as most agreements are based upon a *Production Sharing Contract*. With this brief explanation of the data in mind, it is now possible to extract the level of internationalization.

Essentially, the data represents a fair share in regional and extra-regional partnerships. Although the majority of energy companies active in the Vietnamese offshore oil and gas sector are located outside the East Asian Security Complex, 21 companies from 11 different countries in total, the regional companies (18 from 8 countries) score similarly in regard to their engagement in the existing agreements. In fact, regional companies are engaged in 44 agreements, and extra-regional oil and gas firms are active in 47 agreements. This suggests that most agreements are conducted in cooperation between companies from East and Southeast Asia, and the rest of the world. Identifying the countries that host the most active companies in the Vietnamese offshore sector, Australia and Malaysia are ahead of the states in the East Asian Regional Security Complex. *Petronas* (5), via its oversea subsidiary *Petronas Carigali* and *Mitra Energy* (6) are the salient companies from Malaysia. Similarly, Australia's *Pan Pacific Petroleum* (2), *Santos Energy* (6), *Origin Energy* (2) and *NEON Energy* (1) are engaged in 10 agreements.

With respect to extra-regional actors, companies from Russia and the United Kingdom are worth mentioning at this point. Given the long-lasting history of cooperation between Russia and Vietnam, it is no surprise to see *Rosneft* (2), *Gazprom* (7) and *Zarubrezhneft* (6) being engaged in a total of 12 agreements. Concerning the United Kingdom, five companies are engaged in 9 agreements. Among those five, *Premier Oil* (4) is the most active, with *Soco Energy* (2), *Perenco* (2), *Salamander Energy* (1) and *Pitkin Energy* (1) sharing the rest. Of the remaining countries, those with less than seven agreements, companies from Thailand, Japan, Singapore, India and Italy are noteworthy. Particularly *Eni* (5) of Italy, *ExxonMobile* (4) and *ONGC Videsh* have become significant actors in the past five years, although the latter is not as engaged as it was anticipated in the beginning of the research.

⁵⁸ There are further agreements on exploration where ownership and operatorship was not able to identify in a usable manner. Moreover, the data presented in Table 2, which is the foundation of this analysis and the discussion in the next chapter, does not include former owners and operators. Having sold or withdrawn from its interest in a given agreement they can no longer be recognized as stakeholders. This decision has been made upon the premise of reflecting the situation as close as it is in the time of writing in mid-2015. The analysis will only refer to breaks in the structure of the agreements if they are significant and notable. However, for the sake of completeness, changes in the structure of ownership and operatorship are reflected in Appendix 1.

Table 2 - Vietnam's and PetroVietnam's Cooperation Partners by Origin (Own Depiction)

The third column reflects the number of agreements in which companies from a particular country are involved. If two or more companies from the same country are involved in the very same agreement than they are not treated distinctive.

Country	Companies	Agreements
East Asian Regional Security Complex		
Australia	4	10
Indonesia	1	2
Japan	4	6
South Korea	2	2
Malaysia	2	11
Singapore	2	6
Thailand	2	5
Vietnam	1	2
South Asian Regional Security Complex		
India	2	5
Post-Soviet Regional Security Complex		
Russia	3	12
Middle Eastern Regional Security Complex		
Israel	1	1
Kuwait	1	3
United Arab Emirates	1	1
European Regional Security Complex		
Italy	1	5
UK	5	9
Turkey	1	1
North American Regional Security Complex		
Bermuda	2	2
Canda	1	1
United States of America	3	7

Summing up, Vietnam and its national oil and gas company have been active in diversifying their cooperation partners working together with regional and global companies. While it would be abridged to explain these insights only by strategic considerations, it provides interesting insights that reflect the enmeshment strategy ascribed to Vietnam by Goh (2008). Moreover, among the 39 companies that have an interest in the Vietnamese offshore sector, 12 are fully or semi-state owned. These 12 companies are engaged in 35 agreements. The next chapter will interpret these findings in more detail. At this point, having assessed the level of internationalization, the focus now turns towards the form of internationalization.

1.2. Form of Internationalization

With respect to the form of internationalization, the data reveals a prior focus on economic features, whereby the Production Sharing Contract is the most common form of organizing the exploration and exploitation activities with the foreign companies. The advantage of a PSC, as it has been defined in the prior chapter, is that the state maintains ownership of the oil and gas resources until the contracting company has started to extract them from the ground (Open Oil 2013: 28). Thus, as long as the oil and gas is in the ground no transfer of sovereignty is taking place. Once they are extracted, the exploiting company becomes the owner of the oil and gas that is produced.

This is one reason why PetroVietnam and its subsidiary PVEP take part in the majority of the agreements either as the major owner of the block or its operator. Production Sharing Contracts are the preferred form of internationalization in 44 of the 59 agreements. The remaining 15 agreements constitute of *Memorandum of Understanding* (MoU) (2), Petroleum Contracts (3), exploration agreements (7) and agreements on exploration and exploitation (3). What is distinguishing a petroleum contract from a PSC is the issue of ownership. In a petroleum contract, a company acquires ownership and operatorship of a certain oil and gas field for a given period of time. While it is zero cost-intense for the state for the time being in place, if significant resources are found in the relevant block, then the company who is running exploration is also allowed to exploit them unless it is beyond the agreed time frame.

Exploration agreements can be narrowed down to survey activities assessing the potential resources of a certain oil and gas block. Exploration and Exploitation are agreements that already define who is allowed to extract the resources once significant and feasible deposits have been found. Frequently, exploration and exploitation agreements are sooner or later transferred into a Production Sharing Contract. The MoU is the least effective form of internationalization as generally only few mandatory obligations are inherent to them. Beyond question, the differentiation between these several kinds of agreements is indecisive, as nearly all PSCs contain exploration and exploitation activities. However, what is distinguishing them is the degree to which a state is willing to give up its authority over the oil and gas blocks, and how ownership and operatorship is organized when it comes to production.

In summary, it can be said that Vietnam has chosen prior attention on Production Sharing Contracts, whereby its national oil and gas company takes part either as an equal or minor stakeholder. Compared to the historically longstanding Joint Venture between Russia and Vietnam, none of the partnerships has led to the institutionalization of collaboration. With this in mind, the empirical assessment can further proceed to the effects of internationalization.

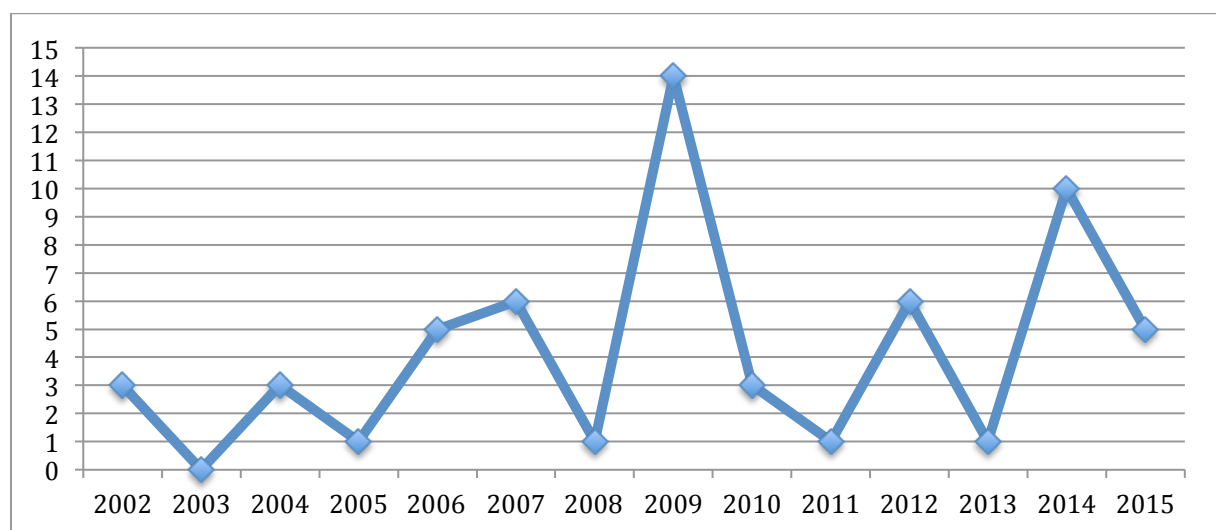
1.3. Effects of Internationalization

Based upon insufficient tools for assessing the effects of internationalization, the thesis has proposed the number of stakeholders as a significant measure. Without deducing a general pattern, it is possible to extract some distinctive findings from the gathered data. *First*, between 2002 and 2008, Vietnam and PetroVietnam have signed three agreements per year. This average rose to six per year between 2009 and 2015. Primarily responsible for this development is a sharp rise in signed agreements in 2009 that has dropped back to average in the following years. While several reasons are similarly relevant to explain this extraordinary increase in 2009 it is interesting to note that it occurred at the same time as the situation in the South China Sea started to heat up. *Chapter 3* has already suggested a change in the behavior of the littorals after 2009, taking into account a more assertive position of China. However, a discussion of this finding is postponed to the upcoming chapter, and it remains important to consider alternative factors that explain this situation. Among those, the expiration of former contracts, the transition from exploration to exploitation, new public tenders, and the finding of new gas and oil deposits have to be investigated. A *second* finding concerns the four most active cooperation partners of Vietnam and PetroVietnam, Australia, Malaysia, the United Kingdom and Russia. With respect to engagement, only companies from Russia became more active in the Vietnamese offshore oil and gas sector after 2009. Eight of the recorded 12 contracts are signed between 2009 and 2012, though the majority might rather be an extension or enhancement of the existing contracts.

Although the increase in agreements in 2009 has not been sustainable, the year marks a turning point for several reasons. *First*, as it was already mentioned above, since 2009 activities of companies from India, the United States and Italy have increased, whereby new stakeholders emerged in the Vietnamese offshore sector. Among the remaining four countries that started to become active in the Vietnamese oil and gas sector after 2009, it have been particularly the two companies from Thailand that became a active actors in Vietnam. *Second*, with ONGC Videsh, ENI (Italy), KUFPEC (Kuwait) and PTTEP (Thailand) four more state or semi-state owned companies arrived or extended their presence in the Vietnamese offshore sector. All four companies signed between three to five agreements in the following years until 2015. Certainly, this does not undoubtedly imply a genuine interest of these companies in Vietnam's security considerations but engaging with more partners from various countries increased Vietnam's hedge towards the other littorals.

The argument, as it has comprehensively laid down in the prior chapters, is simple. Provocation in whatever form by any littoral against one of these companies is likely to result in diplomatic displeasure between the respective governments. A *third* fact that can be derived from the data concerns the change in ownership and operatorship. Compared to the total number of agreements, a mere 17 agreements have seen changes since 2002 but all of them occurred in the aftermath of 2009.⁵⁹ More specifically, only seven of the 17 breaks have occurred between 2009 and 2012. Thus, the majority of these changes, which have rather took place as a complete break in ownership and operatorship, happened in the past three years. Again, there are various factors that could explain this case, including among others forced withdrawal from the agreement, strategic realignment of the company to other interesting areas or even ordinary things like bankruptcy. With respect to the significance of the changes in the structure of the agreements, only two events are worth mentioning. The *first* is the change in ownership of the Blocks 117-119 in 2009 by ExxonMobile. The withdrawal of BP from Vietnam, which is viewed as one prime example of Chinese coercion in the South China Sea (Jenny 2014), allowed ExxonMobile to become the largest contractor in terms of area (Wikileaks 2009). The *second* event took place in 2014 when ONGC Videsh acquired interest in Block 102 and 106, which extended ONGC's presence in Vietnam. Although, India's national oil and gas company has been active as early as 2003, it continuously faces pressure from Beijing (Dasgupta 2014). The next chapter will deal at length with such kinds of finding.

Figure 2 - Numbers of Agreements Signed by Year (Own Depiction)



⁵⁹ See Footnote 50.

Recapitulating the effects of Vietnam's internationalization of exploration and exploitation activities, it is apparent that Vietnam has been able to increase the number of stakeholders steadily over the past 13 years. The prior form of cooperation is the Production Sharing Contracts in which PetroVietnam or its subsidiary PVEP participate either as the owner or operator of the respective oil and gas block. Whereas in 2002 only three agreements were signed with companies from four different countries, Vietnam has already signed five agreements with seven firms from seven countries in mid-2015. Especially 2009 marked a decisive year for Vietnam's offshore oil and gas sector. In this year, 14 contracts were signed with 15 companies from 10 nations. Since then, particularly the activity of state and semi-state owned companies have increased from 11 agreements between 2002 and 2008 to 25 agreements signed between 2009 and 2015. The number of represented national oil and gas companies has doubled in the same time periods from six to 12. This illustrates an interesting development that will take center stage of the upcoming discussion in *Chapter 8*.

Having analyzed the case of Vietnam, the attention now turns towards the internationalization activities of the Philippines.

2. Internationalization Efforts by the Philippines and the PNOC

In comparison with the South China Sea littorals, the Philippines possess the smallest oil and gas reserves. Contrary to this, the *Philippines National Oil Company* (PNOC) was among the first national energy firms in the region, established by Presidential Decree No. 334 in November 1973 (PNOC 2007).⁶⁰ The PNOC Exploration Corporation (PNOC-EC) is the exploration and exploitation arm of PNOC focusing particularly on the oil and gas sector (*ibid*). In this context and despite the actual limited amount of gas and oil resources, the Malampaya Gas Project evolved as a prime example of successful joint venturing in the past three decades (Malampaya 2014).

It remains the Philippines most prestigious project and the most efficient of the fully operational oil platforms offshore the Philippines until today. With respect to important exploration and exploitation sides, the Reed Bank basin, the West Luzon basin, and the Northwest and Southwest Palawan Basin are the most prospective in the Philippines offshore sector.

2.1. Level of Internationalization

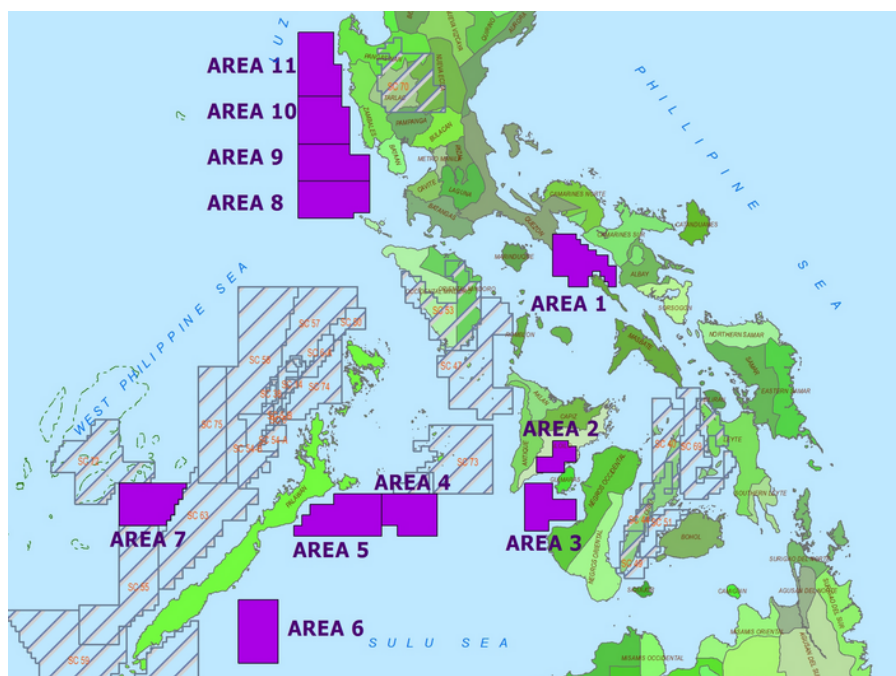
The Philippines and the Philippines National Oil Company have signed about 14 agreements with 15 companies from 10 countries across the globe.⁶¹ While the majority of those agreements (8), however, expire in 2015, one is on the hold since 2010, and one has already expired in 2014. For reasons of actuality, those two agreements are excluded from the data of analysis (Table 3), whereby only 12 agreements signed with 13 companies from 7 countries remain effective by the time of writing. Of the 12 agreements, three are maintained from one company, five are conducted from two companies and four from three companies.

⁶⁰ In this regard, only *PERTAMINA* (Indonesia), which was founded in 1957 and the Chinese Petroleum Corporation (CPC, Taiwan) established already in 1946, have a longer history.

⁶¹ It was difficult to gather the data for the Philippines, especially as it was not possible to trace back all changes in the structure of the Service Contracts. Furthermore, the data set includes only Service Contracts and oil and gas blocks that are located in the South China Sea. Thus, the assessment is based upon the latest information extractable and is not exhaustive in regard to dates and contractors. However, the gathered data was collected with as much academic diligence as possible and is valid nonetheless. Moreover, the data for the Philippines was edited in the same way as the data for Vietnam. Country-specific peculiarities are highlighted if they contribute to our understanding of the case.

The Philippines National Oil Company is engaged merely in one-fourth of the agreements. Regarding the level of internationalization, seven companies from three countries of the East Asian Regional Security Complex are engaged in 10 agreements. This reflects a slightly higher activity of regional compared to extra-regional actors, where six firms from four countries account for eight agreements.

Map 3 - Philippines Offshore Oil and Gas Blocks (Source: Offshore Energy 2014)



To be more precise, the most active companies are hosted in Australia, the United Kingdom and the Philippines. *Nido Energy* (4), *Otto Energy* (2), *Kairiki Energy* (2) and *Red Emperor Resources* (1) from Australia are the most active companies, being engaged in six agreements. Companies from the United Kingdom, *Pitkin Energy* (3) and *PetroEnergy Resources* (1) are the second most active with engagements in four agreements. Of the remainder, only *Philex Petroleum* (2) and *Monte Oro Ressources and Energy* (1) from the Philippines, and *Frontier Oil* (1) and *Forum Energy* (1) from the United States are engaged in more than one agreement. None of these companies is state or semi-state owned and rather belongs to the smaller and medium size spectrum of international energy companies.

Table 3 – The Philippines and PNOC's Cooperation Partners by Origin (Own Depiction)

Country	Companies	Agreements
East Asian Regional Security Complex		
Australia	4	6
Philippines	2	3
Singapore	1	1
Middle Eastern Regional Security Complex		
United Arab Emirates	1	1
European Regional Security Complex		
UK	2	4
North American Regional Security Complex		
Canada	1	1
United States of America	2	2

In summary, the Philippines have rather modestly internationalized its offshore oil and gas blocks. This is not only reflected in the total number of signed agreements but also with respect to the companies involved in these agreements. However, one primary fact to explain the Philippines modesty is its limited territory to bid for in general, and a different division in terms of size and scope of the offered areas. Moreover, most of the Philippine territorial claim lies within the Chinese nine-Dash line, whereby particularly resource-rich regions like the Reed Bank become difficult to explore and exploit. Nonetheless, the Philippines have cooperated with regional as well as extra-regional actors on a similar level. Although there is a slight regional surplus, there is no significant difference or preference for either the regional and global level of internationalization. Now, the thesis proceeds with assessing the form of internationalization.

2.2. *Form of Internationalization*

Despite the small data set the case of the Philippines has produced, it can be said that the primary objective of internationalization is likewise an economical one. The Philippines key form of internationalization is the Service Contract system. This system exists in the Philippines as long as its national oil company and has the advantage of not transferring any shares in the produced oil and gas to the companies exploiting them. Instead, they receive a fee paid by the Philippine government. In many cases, the Philippines have awarded the Service Contracts via bidding processes.

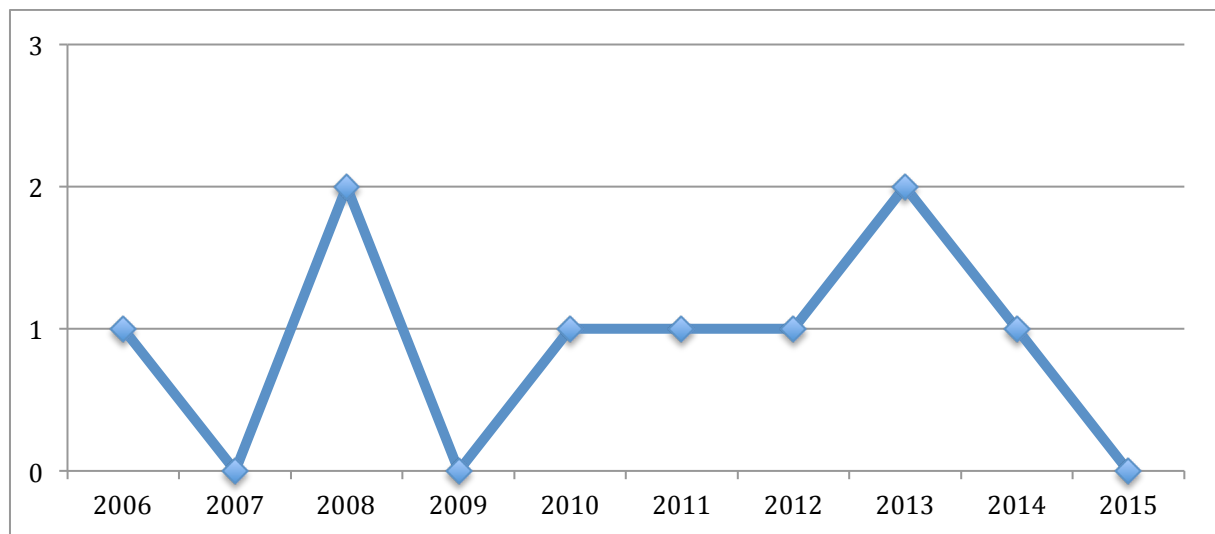
Until the time of writing, five *Philippine Energy Contracting Rounds* (PERC) (2003, 2005, 2006, 2011 and 2015) have been conducted.⁶² All 12 agreements are Service Contracts, including exploration and exploitation activities. In the case of proceeding from exploration to exploitation it seems common practice to award new or extend existing contracts that often include additional companies. To which extent the Philippine government has to approve these changes in the structure of a particular Service Contract was not able to detect. However, it is fair to assume that the government has a certain form of veto, if the contractor aims to work together with another company against which the government announces certain displeasure. With this in mind, it is now possible to assess the effects of internationalization.

2.3. *Effects of Internationalization*

Due to the shortage in available data, it is neither possible to detect developments prior 2005 nor to highlight significant changes that have occurred over the time. According to the gathered data, only one stakeholder was detected in 2006. This number has increased to 13 in 2015, and it is likely that the estimated number of active stakeholders is somewhat higher. However, despite this shortage in data, it is important to note that the Philippines have awarded all of its offered Service Contracts in the South China Sea. To put it bluntly, what was able to sell was offered and sold. The Malampaya field, which is maintained by Shell, ExxonMobile and PNOC, remains, however, the only field where large international companies got engaged in the Philippines South China Sea territory. Interestingly, despite the overall relative few number of contracts awarded to extra-regional actors, two Service Contracts have recently come to a halt under conditions of a *force majeure*. One concerns Service Contract 55 and has rather economic reasons; the other concerns Service Contract 72 and comes at the expense of the Philippines case submission to the International Court of Arbitration (Tubadeza and Rivera 2015).

⁶² Despite several requests to the Department of Energy, I have not received any information on the winners of the PERC. It was communicated to me that the results of the biddings are not publicly accessible to protect the awardee.

Figure 3 - Number of Agreements Signed by Year (Own Depiction)



To sum up the internationalization efforts of the Philippines in regard to its oil and gas blocks in the South China Sea, the country has been able to engage at least 13 companies from seven different countries. The majority of them are based in countries of the East Asian Regional Security Complex, whereby the level of internationalization is primarily a regional one. While this number is relatively low, it should not be evaluated as such. Given the rather limited oil and gas resources that lies beneath Philippine South China Sea territory, exploration and exploitation activities are vividly in place to survey the potentials of the region. There might be simply no further fields to discover, despite the significant deposits that are estimated close to the Reed Bank. In hindsight, what is to explore in the Philippines portion of the South China Sea is under exploration. In regard to the form of internationalization, the economic oriented Service Contracts are the favored option and none of the agreements has resulted in any kind of institutionalization.

Before proceeding further to the discussion of the findings, the thesis will take some time and compare both cases in search of similarities and differences. This shall strengthen the analytical assessment and highlight common denominators in the internationalization efforts by Vietnam and the Philippines – if existing.

3. The Case of Vietnam and the Philippines – A Comparison

Despite the different number in signed agreements, Vietnam and the Philippines share certain similarities (Table 4). The most obvious of these similarities is the diversification of cooperation on the regional and global level. Here, both countries signed a similar number of agreements with companies from the East Asian Regional Security Complex, and extra-regional actors. Distinguishing both on this matter, however, is the total number of companies and countries from the East Asian RSC that have signed an agreement with Vietnam and the Philippines. While the latter has attracted a merely seven companies from three East and Southeast Asian countries, Vietnam with its vast offshore oil and gas blocks, has signed agreements with 18 companies from eight countries. The same can be said with respect to the global level, where Vietnam attracted international companies nearly three times as much as the Philippines. Notwithstanding this difference in total numbers, another similarity concerns the high degree of involvement by companies from Australia and the United Kingdom. This is not surprising given the fact that both countries are home to several medium and large-size energy companies that have a longstanding reputation and experience in exploration and exploitation.

In addition, Australia's geographic proximity is a decisive rationale for its strong representation in the region. Interestingly, however, is the fact that only *Pitkin Petroleum* from the United Kingdom is active in the Vietnamese and the Philippines South China Sea oil and gas sector. A *third* similarity that connects the two cases is the priority of mixed ownership and operatorship of the relevant gas and oil blocks. Only three Service Contracts in the Philippines and eight agreements in Vietnam are unilaterally conducted by one company. There is a series of rationales that explain this fact and include among others the technological and economic level of the participating companies. Moreover, under certain circumstances a labor division is more profitable than unilaterally exploring and exploiting the awarded contract.

Table 4 - Comparison of the internationalization efforts by Vietnam and the Philippines (Own Depiction)

Vietnam		Philippines	
Regional	Global	Regional	Global
18 Companies / 8 Countries 44 Engagements	21 Companies / 11 Countries 47 Engagements	7 Companies / 3 Countries 10 Engagements	6 Companies / 4 Countries 8 Engagements
		Level of Internationalization	
44 Production Sharing Contracts 2 Memorandum of Understanding 3 Petroleum Contracts 7 Exploration Agreements 3 Exploration and Exploitation Agreements		Form of Internationalization	
		12 Service Contracts	
Number of stakeholders significantly increased between 2002 and 2015. 2002: 3 companies / 3 countries 2015: 39 companies / 19 countries in 2015		Effects of Internationalization	
		In regard to the overall modest activities of the Philippines and PNOC in the South China Sea oil and gas blocks, 13 stakeholders from 7 countries are linked to the Philippines offshore SCS sector.	

While the cases of Vietnam and the Philippines produced several commonalities, there remain certain significant distinctions. One was already mentioned above and concerns the size of the active companies. In this regard, the Philippines rather attracted small and medium-sized companies, whereas Vietnam was able to engage global powerhouses like ExxonMobile, Eni or Gazprom. Beyond doubt, whether or not “size matters” is discussable and will not be inquired by this thesis. Thereby, the thesis assumes that a smaller energy company is more likely to unresistingly withdraw from a contract than a big company, if faced with tense pressure by strong powers like China. This determinant of economic coercive power is difficult to apply towards larger energy companies like Eni or ExxonMobile, although the example of British Petroleum in 2009 is a strong counterpoint for this argument. Leaving aside the political aspects, the fees paid by the Philippine government to companies conducting their Service Contracts is another important aspect to consider in explaining the presence of small and medium-sized companies rather than big companies in the Philippines offshore South China Sea exploration and exploitation activities. To put it simply, the Philippine government might just not pay enough to attract the big companies.

A *second* interesting difference is the lack of state or semi-state owned companies operating in the Philippines South China Sea energy blocks. While 12 national oil and gas companies are active in the Vietnamese offshore sector, none is doing business with the Philippines on this matter. This is decisive, because particularly national companies can exert a strong stakeholder position. Moreover, as the thesis will discuss in great detail in the next chapter, countries like India who maintain a specific strategic interest in the region, can use its stake to justify a physical presence in the region, especially if they feel threatened by one or more littorals.

The *third* difference, that is worth mentioning, is the activity of PetroVietnam and its subsidiary PVEP compared to the activity of the Philippine National Oil Company. While the former is engaged in the majority of the agreements, PNOC is engaged in merely three Service Contracts. The difference in organizing the exploration and exploitation activities, more specific the Production Sharing Contract versus the Service Contract have already been mentioned as one rationale. Beyond this, no further relevant cause was able to detract, and it is actually difficult to understand the reserved position of PNOC in the South China Sea offshore activities. If it is not for the sake of economic benefits, it should be in the interest of the company and the state to be engaged in the contracts to acquire technological know-how, advance its own skills and deepen the cooperation with foreign firms. Finally, the year 2009 has not lead to similar changes in the internationalization efforts in the Philippines than it has in Vietnam. Whereas Vietnam significantly increased the number of signed agreements and showed a certain favor for cooperating with state or semi-state owned companies, no such development is detectable for the case of the Philippines.

Having compared both cases, the thesis now proceeds onwards to a more detailed discussion of the findings and aims to analyze the impacts of the internationalization efforts by Vietnam and the Philippines on the national and regional security dynamics.

CHAPTER 8: DISCUSSION OF FINDINGS – IMPLICATIONS FOR NATIONAL SECURITY AND THE SECURITY DYNAMICS IN THE REGION

The prior comparison has already highlighted links and distinctions between the case of Vietnam and the Philippines. This chapter analyses the implications of internationalization in regard to energy exploration and exploitation for the national security of Vietnam and the Philippines, as well as the wider regional security dynamics. Basically, as it has been highlighted throughout this thesis, internationalization has two objectives. *First*, for the internationalizing state it is a means to hedge against more assertive actors, indirectly increasing its own security by engaging more outside actors. At the same time, *second*, the cooperating state can use its stake to justify a stronger (physical) presence in the region. While the former refers to considerations of national security, the latter appears to strongly affect the regional security dynamics. In general, the internationalization efforts by both countries are in line with Goh's (2008) concept of enmeshment, whereby exploration and exploitation activities are one issue among many that could lead to a closer engagement of foreign countries in regional affairs. Interestingly, while the Philippines and Vietnam show certain similar patterns in its internationalization efforts, the Philippines' data have not revealed a significant change since 2009 as they have for Vietnam.

As it was already outlined throughout the prior chapters, the year 2009 marked a significant turning point in the South China Sea dispute (Graham 2014; International Crisis Group 2012a, 2012b and 2015; and Perlez 2010). In regard to the bilateral relations between Vietnam and China, respectively the Philippines and China, the political ties have grown intense without significantly effecting the bilateral economic relations. While there was a brief period of hope that the relations between Manila and Beijing improved again after Benigno Aquino III became president in 2010, several maritime skirmishes have destroyed this hope (International Crisis Group 2015: 14). Particularly the Scarborough Shoal incident in 2012 was a turning point for the Philippines, leading to increased intentions to bring back the United States (ibid: 15). The submission of its territorial disputes to the International Court of Arbitration, which was in preparation for about two years, has been the most illustrative action set by the Philippines until today (ibid: 16). Having failed to gain a foothold in the Philippines, Beijing quickly turned towards Vietnam, which became the largest beneficiary of China's "charm offensive" (ibid: 20; and Leaf 2014) since 2013. This has not, however, tranquilized China's approach towards the territorial disputes in the South China Sea. To the contrary, it continued to bully the various littorals, asserting its extended sovereignty claims. The deployment of CNOOC's oilrig HYSY 981 in early 2014 has been the "wake up call" (International Crisis Group 2015: 21) for Hanoi, signaling that China's "cycles of tension and calm" (ibid: 8) have become shorter and tenser.

A similar path of development has occurred in regard to energy exploration and exploitation. While the 2005 *Joint Maritime Seismic Undertaking* between China, Vietnam and the Philippines, was a decisive step towards the multilateral management of the resources that lay within disputed territory, a shift to unilateral exploration and exploitation management evolved since 2009 (Graham 2014). Accompanied to this shift was an extended '*physical disruption of energy surveys undertaken by foreign firms exploring under license within the EEZs of Vietnam and the Philippines*' (ibid) by China. The gathered data adds further evidence to this development, although the changes since 2009 are much more significant for Vietnam than for the Philippines. Disregarding the territorial disputes, Hanoi has bolstered its internationalization efforts since 2009, signing the majority of its agreements between 2009 and 2015. Contrary to the Vietnamese case, the Philippines continued their modest track. This can be explained by several reasons including, among others, the relative limited offshore oil and gas deposits, the economic features of the Service Contract system and the ongoing trial with China at the International Court of Arbitration.

As the force majeure of Service Contract 72 has shown, it is not possible to explore or exploit disputed territory, if an international court is judging over national sovereignty. In general, the gathered data suggest that both countries seem to have embarked on two different tracks of internationalization. Vietnam is using primarily the economic tail to bind foreign stakeholders in its offshore sector, whereas the Philippines, in addition to this, made the bold move to invoke the international courts. Notwithstanding the above, Beijing takes an affirmative stance on unilateral internationalization efforts, consistently arguing that it is against the DOC, which calls the littorals ‘*to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability*’ (DOC 2002). While “territorial dispute” is mainly discussed in terms of non-compliance to the Chinese nine-Dash line, the Chinese critique seems rather arbitrary, because Beijing has failed to provide significant legitimations of its extended claims so far. Nevertheless, China’s reactions towards the internationalization efforts by Vietnam and the Philippines illustrate at least one sign that internationalization has an effect on the national and regional security dynamics.

From a national security point of view, internationalization comes close to what realists and neorealists alike have defined as external balancing: The internationalizing country seeks to increase its own security by strengthening its ties with other countries. Contrary to this, internationalization rather than tighten formal links with other states is about increasing the – informal – entanglement of other states in the regional affairs by awarding a certain interest to international energy companies.

‘By encouraging Russia, India and other countries to join in energy exploration in the South China, they are also increasing the number of non-claimant states with an economic stake in unresolved sovereignty disputes’ (International Crisis Group 2012a: 22).

This makes sense for Vietnam and the Philippines as, according to the enmeshment strategy, both aim to avoid choosing sides between the United States and China, whereby a bipolar order shall be prevented. The logic then runs as follows: Cooperating with those countries on one or more issues will make unilateral actions more difficult, because it endangers the relationship between the threatening and threatened state, as well as the internationalizing state. By diversifying its cooperation efforts, such a strategy avoids a dependence on one particular state. To which effect the internationalization of energy exploration and exploitation matters, however, depends on a series of factors, among which the scope of cooperation, the form of cooperation, and the cooperator and its interests are the most important. Here, a distinction was made between national and private energy companies. According to the thesis’ assumption, state or semi-state owned companies could produce more proactive responses by other littorals, because they are more likely to execute governmental directives than private companies. The latter pursues primarily an economic interest and is less effected by the interests of a certain administration.

While this does not mean that private companies matter less in regard to considerations of national security, the responses they produce are rather in the realm of diplomatic displeasure than forcing the firm’s host state to hold a protecting hand over the company’s assets. Although it remains open how states will use the assets of its national or private companies to justify a more assertive role in the region, the tensions that ONGC Videsh’s cooperation with Vietnam has produced might be a harbinger of what to expect in the future. This is even more worrisome given India’s actually rather rudimentary engagement in Vietnam’s offshore oil and gas sector. Based upon the knowledge gathered from the early research on the South China Sea and the exploration and exploitation of the oil and gas resources in the region, India has been recognized as a central actor (Buzan and Wæver 2003, Ganguly 2008, Grätz 2013, Moss 2012, Scott 2013). The assessed data, however, do not justify this central status.

Mubadala Petroleum and India's national offshore oil company, ONGC Videsh, are only engaged in five agreements. Although four of these agreements were signed in 2014, and despite the acknowledged shortcomings in the empirical evidence, the thesis assumed a much larger role of India in the beginning of the data gathering. This assumption was based on India's strategic interest in the region and the fact that India's actions have provoked a significant difference response by China. India's position on the South China Sea *'is underscored by the growing arc of Indian strategic interests in tune with its increasing trade and economic engagements'* (Puri and Sahgal 2011: 445). Scott (2013: 53-55) has been more detailed on India's strategic interest in the South China Sea arguing that they are based upon geopolitical as well as geo-economic considerations. These two concepts are at the bottom of India's renewed "Look East" policy, as they look to Southeast and Northeast Asia to stretch its center of influence both economically and politically.

In addition to this, India sees China's military presence with a good grain of salt, as it expands to the Strait of Malacca, and via the *Maritime Silk Road* (MSR) to the Indian Ocean (Jenny 2014, Yale 2015).⁶³ This area is perceived by India as its own backyard and they fear to be overpowered by the Chinese power projection in these regions. Especially the MSR is a cornerstone in India's strategic considerations, as New Delhi perceives it as a challenge on its status as the regional hegemon in South Asia (Buzan 2011). With respect to geo-economics, the focus is on free access to the vital Sea Lanes of Communication and the region's energy resources. Unlike other established powers in the international system, India possesses a distinctive advantage to the countries of Southeast Asia, *'it isn't China, and it isn't the US'* (Moss 2012).

'This [India's] status as Asia's tertiary superpower is enabling India to play a kind of avuncular strategic role, giving it a platform on which to team with the Southeast Asians on their military development without bringing any of the perceived strategic baggage that comes with dealing with the Chinese or the Americans' (ibid).

In this context, Ganguly (2008: 164) has highlighted that India does not appeal to the nations of Southeast Asia to either oppose or fear the rise of India but are keen to cooperate with New Delhi on a series of issues. According to him, three features can explain this intriguing singularity: India's acceptance of the current global order, its non-striving for leadership and its status as a democracy (ibid: 163). While these suppositions are certainly valid, they are inadequate for at least three reasons. *First*, with respect to the South China Sea, *'India is also becoming more active in view of Chinese muscle flexing in the region. [...] The Indian military has made it clear that it would venture into the South China Sea if China threatened ONGCs assets'* (Grätz 2013). While India is the regional hegemon in the South Asian Regional Security Complex, the Chinese claim a similar position in the East Asian Security Complex. Given the extended Chinese presence and influence in the Indian Ocean and several South Asian countries, it is neither extraordinary nor unexpected to see New Delhi becoming more active in Southeast Asia and the South China Sea. *Second*, like China, India sees itself as a rising global power that aims to increase its voice in the international system, whereby they test the U.S. dominated global order (Scott 2013: 52). As Ladwig (2009: 88) has argued, India and China *'share the desire to see the international sphere transition to a multi-polar structure in which each country has an increased voice in global affairs'*.

Thus, *third*, while there seems to exist a certain convergence on the objectives between China and India on the global level, their targets are split on regional level (Scott 2013: 52). Certainly, strategically it makes good sense to cooperate with India as the Southeast Asian nations aim to avoid a bipolar setting in which they are bound to choose between the United States and China. Despite being constrained by several domestic issues, including poverty, religious conflicts and social problems, India has been able to develop stunningly over the past centuries.

⁶³ For more information see Xinhuanet (2014).

Its economic and military capabilities have grown and it is no surprise to see a more proactive behavior, particularly with respect to China's aim to take a foothold in the "Indian backyard". Thus, it is no coincidence to see close cooperation between India and numerous regional states, whereby they extend their position in Southeast Asia in general, and the South China Sea in particular. If Ganguly and Moss' arguments hold true, then this singularity represents a strong challenge to the balance-of-power theory and provides an illustrative example on further elaborating my displeasure with the theory, which was outlined in *Chapter 5*. Essentially, according to the balance-of-power theory India's rise and extended presence in the region should produce similar efforts by the Southeast Asia nations, as the rise of China has provoked. For such efforts failing to occur, it is another example of the variable strategies the countries apply in order to increase its national security and indicates another decisive feature that supports the outlined approach by this thesis. Being non-restricted with theoretical biases such as the balance-of-power theory allows for a more open discussion of the revealed findings.

Taking into account India's geopolitical and geo-economic interests, responding to the South China Sea littorals' calls for internationalization, particularly on such sensitive issues as energy cooperation, provides New Delhi with ample room to extend its foothold in the region. India's national oil and gas company is a capable actor that provides the South China Sea littorals with the necessary expertise and techniques to explore and exploit the oil and gas resources, while at the same time increasing India's stakes in the region. These stakes, in turn, can be used to justify an increased voice in the regional organizations and an extended physical presence by Indian – certainly both, coast guard and military – vessels. Compared to other countries, as it was highlighted elsewhere in this thesis, the Indian Navy has been the only institution to verbally proclaim a requirement of protecting its economic assets in the South China Sea, if they feel the necessity to do so. Beyond doubt, words and deeds are two different coins but it shows a certain determination of New Delhi to apply a more proactive stance in the region, particularly with the aim of balancing China. Contrary to India's aspirations, ONGC Videsh's cooperation activity in the exploration and exploitation sector of Vietnam is still modest, and non-existent in the Philippines, compared to companies from Russia, Australia or the United States.

However, the decisive feature in regard to India is not its total number of signed agreements, but the responses that the relatively few agreements between Vietnam and India have provoked in Beijing. Whereas Beijing is keen to express its general discomfort with internationalization efforts conducted by any littoral, it published a harsh warning towards New Delhi in 2014: To keep on good terms with China, India has to cancel all of its exploration and exploitation activities in the Vietnamese offshore sector (Dasgupta 2014). This is not entirely new to India, as they have continuously faced such threats. In 2011, the *Global Times*, a Chinese Communist Party-run paper, suggested that the party should apply any necessary measure to stop India's exploration and exploitation activities (Krishnan 2011). Similar statements were published by Foreign Minister Hong Lei (Hóng Lěi) in 2012, although, these statements were made in response to D.K. Joshi's utterances to defend ONGC Videsh's assets in the South China Sea (Nelson 2012). Certainly, such statements are always an expression of standard diplomatic skirmishes. However, the interesting fact is that this thesis was not able to detect similar statements for other states, despite the large engagement of companies from Russia or Australia. Moreover, as Dikshit (2013) has highlighted, China has not opposed Indian-Vietnamese exploration and exploitation activities during the Cold War, but responded to the allocation of Block 127 and 128 with political '*demarches, pressure on companies not to sell equipment to India and the alleged buzzing of an Indian warship that had transited through the disputed portion of the South China Sea*' (ibid).

The case of India is one example that illustrates the implications of internationalization on the national and regional security dynamics. Reflecting in terms of signed agreements, however, Indian companies do not score in the Top-5 of Vietnamese and Philippine cooperation partners. Here, backward-sorted, companies from Australia, the United Kingdom, Russia, Malaysia and the United States are the most active. This reflects a fair share of companies from the East Asian Regional Security Complex and other RSC's, which demonstrates a diversified pattern of the internationalization level. Taken into account Malaysia's rather constrained position on territorial disputes and the withdrawal of British Petroleum in 2009, it is fair to say that the primary rational for these companies is an economic one, meaning that they wish to provide the necessary equipment and knowledge to explore and exploit the oil and gas resources.⁶⁴ This does not mean, however, that the objectives of internationalization outlined above could not apply for these two countries but it remains open to which extent such consideration will influence the future national strategy towards the South China Sea.

It is no surprise to see a strong engagement of the United States. Especially with the pivot to Asia since 2009, the interest in the region has become more decisive. However, despite one brief incident in 2012, where China targeted Vietnam to force them to stop its oil and gas tender and recall the awarded blocks to ExxonMobile and other international energy companies, there has been no firm opposition of Beijing towards companies from the United States (Bloomberg News 2012). Moreover, compared to the engagement of companies from Australia and Russia, U.S. involvement is rather moderate, scoring even behind companies from Malaysia and the United Kingdom. With respect to the number of signed agreements, the thesis assumed a much larger activity of U.S. companies when starting the research. To no extent, however, does this challenge the overall importance of the United States. It remains the country that has the largest impact on the national and regional security dynamics. Nonetheless, it appears that the issue of energy exploration and exploitation provides ample room for Vietnam and the Philippines to diversify its interests, whereby other countries become more engaged in the region. Certainly, this reflects the countries general strategy to avoid aligning with either the United States or China. Quite contrary, the strong role of regional actors like Australia and Malaysia, and extra-regional actors like Russia and the United Kingdom is another illustration of enmeshing small, medium and great powers alike. This decisively adds to the complexity of the regional security dynamics, not directly in terms of the number of new actors involved but in regard to the increased web of engagement. Rather than a strong attitude of balancing one side, the findings reveal that multipolarity is still the default condition in the South China Sea region, and increasing.

Considering it from a transnational perspective, companies from Australia have been the most active actors in Vietnam and the Philippines, whereas Russian firms are the single most important cooperating partners in terms of total numbers of signed agreements, in Vietnam. Distinguishing the engagement by companies from Australia and Russia is the fact that the former consists of private companies, while all three Russian firms are state-owned. Compared to the case of India, none has produced comparable reactions in Beijing than the ONGC Videsh's engagement. Similar to New Delhi, Canberra's interest in the South China Sea is determined by geopolitical and geo-economica aspects (Wesley 2013: 47-48). However, the crucial difference between India and Australia is the latter's focus on Indonesia (Lee 2013: 399). As Canberra made it clear in its past three *Defense White Papers*, Indonesia is Australia's top priority security concern. While this should not neglect the China-factor in Australia's security considerations, the focus on Indonesia makes perfect sense, as it is the largest country of the region with a more than capable economy and increasing military capabilities. In addition to this, Indonesia is among Australia's closest neighbors, which adds a certain geographical proximity to Canberra's concerns.

⁶⁴ See Parameswaran (2015a) for changes in Malaysia's approach to the South China Sea conflict.

Therefore, cooperating with the littorals of the South China Sea, therefore, links Australia closer to Southeast Asia and certainly includes a sense of internationalization as well. At the same time, Canberra complies with the call by the Southeast Nations to take a more proactive stance in the region (Wesley 2013: 47). Moreover, the assets in the Vietnamese and the Philippines South China Sea offshore oil and gas sector, provide Australia with further support to have a strong voice in the regional institutions and the opportunity to increase its presence in the region, if Canberra feels that it is necessary to do so. On the other side, the primary focus on Indonesia could also contribute to the complication of the South China Sea dispute, as issues become mixed up.

Contrary to Australia, the interests of Russia in the South China Sea are currently predetermined by geo-economic aspects. Moreover, the three Russian companies – Gazprom, Zarubezhneft and Rosneft – are only active in the offshore oil and gas sector of Vietnam. This characteristic can be explained by the longstanding energy cooperation between Vietnam and Russia that dates back to the mid-1970s. The interesting finding on the Russian state-owned companies' engagement in Vietnam is the fact that compared to ONGC Videsh (India), it has not produced similar reactions in Beijing. While this thesis cannot engage in an in-depth analysis of this phenomenon, it can provide at least a geopolitical understanding of it – a geopolitical one. Since the beginning of the Crimean conflict, the European Union (EU) and the United States have embarked on a track of isolating Russia from the West (Tsvetov 2015a). This has led Moscow to advance its pivot to East Asia in search of compensation for its economic losses that were the result of comprehensive sanctions set by the EU and the U.S. While Moscow's economic pivot, as it was already highlighted in *Chapter 1*, is neither new nor generally troublesome, the real problem emerges for countries like Vietnam that perceive themselves to be on close terms with Russia and expect a certain sense of support in times of crisis. This perception fails to acknowledge Moscow's past stance on the South China Sea, which rather reflects a pragmatic approach to the conflict. Russia's strategy towards the territorial disputes in the South China Sea, as it became obvious in the aftermath of the HYSY-981 incident in 2014, aims to avoid direct confrontation with the United States in and an upset with China over the South China Sea issue (Chunshan 2014).

Thus, Russia neither enthusiastically supported China's move of installing the oil rig in Vietnamese territory, nor did it take the side of Vietnam criticizing Beijing for its provocative actions. On the other side, China is likewise not that much emphatic in stopping Russia's close ties with Vietnam and several other South China Sea littorals. In this context, Hartwell (2015) has aptly called the Sino-Russian relationship as "frenemies", highlighting the rather ambivalent position of both countries towards each other. Whereas on the global level Russia and China are united against U.S. global dominance, on the regional level a certain sense of non-interference seems to be the key strategy (Feng 2015, Hartwell 2015). Against this background, Tsvetov (2015a) has argued,

'that Moscow and Beijing have a gentleman's understanding that Ukraine for Russia and the South China Sea for China are both issues just too sensitive for the partner to have a firm position one way or the other'.

That Moscow sooner or later will become affected by the territorial disputes in the South China Sea is well known in government circles and the recent Cam Ranh Bay incident, where Hanoi was asked by the United States not to refuel a Russian Tu-95 MS strategic bomber, is already a late harbinger on what to expect in the future (Thayer 2015). However, it is rather unlikely that for the near-future Russia will extend either its physical presence in the South China Sea or increase its voice in the institutional settings of the region, as this would be seen by Beijing as an interference in the territorial dispute, which only could backfire on Moscow given its own territorial conflicts.

Hence, Russia will remain an important partner in terms of economic and military support for most of the South China Sea littorals and it is likely that Beijing continues to view the presence of Russian companies in the region as less provocative than companies from countries like India or Australia. However, it would be ill advised to assume that a closer cooperation with Russian firms is seen as less suspiciousness by Beijing than cooperation with other foreign firms. There will be a certain level of cooperation where China will insist that Moscow has to apply a more reactive approach in the South China Sea, if it wants to stay on good terms with Beijing. In addition to this, Russia's foreign policy focus – at least for the near-term future – will remain to be preoccupied by issues of closer geographical proximity, which primarily lie on its western borders.

Finally, the analysis has to focus on the role of Japan. Japanese companies are only active in Vietnam; thus, their overall performance is rather limited. Like India and Australia, Japan's interests in the South China Sea are determined by geo-economics and geopolitics (Sato 2013; Storey 2013). In particular, '*Japan is concerned that the dispute has the potential to undermine sea lane security in the South China Sea*' (Storey 2013: 145). Due to several incidents in the past years, including the detention of a Japanese trawler captain in 2010, the Senkaku/Diayou conflict since 2012, Shinzo Abe's continuously visits to the Yasukuni Shrine and growing nationalism in both countries, the relations between Beijing and Tokyo have become even more strained. This problematic relationship is further tested by an increasingly assertive position of Japan that is illustrated in its aim to conduct a joint naval exercise with Vietnam and the Philippines (FlorCruz 2015; Pollmann 2015). From a regional security perspective, beside the United States, Japan is probably the most important actor in the near-term future. This assumption depends heavily on Tokyo's interpretation of the review of Article 9 (Fatton 2014). While it remains unclear how Japan will use its new leeway in conducting foreign policy, and how it will define its "close partners" (ibid), it is fair to say that Japan has become a decisive actor for the South China Sea littorals. With respect to the gathered data, no evidence was able to detect signals, which already indicate a significant change. Assuming that Japan continues its proactive stance to the South China Sea dispute, having an economic stake in the offshore oil and gas sectors of Vietnam or the Philippines could provide Tokyo with several rationales to justify an extended presence in the region.

CONCLUSION

The aim of this thesis was to conceptualize *internationalization* in the field of international relations, whereby a contribution should be made to establish the topic as an individual subject of research. Given its prominence in analysis and comments, particularly with respect to the issue of energy exploration and exploitation, the thesis was deeply disturbed by the non-existence of a profound definition and theoretical understanding of internationalization. This disturbance resulted in the primary motivation for the conducted analysis, which was primarily based upon the assessment of the empirical evidence. The challenge was not to establish a neorealist or neoliberalist version of internationalization but to develop a less theory-biased framework that allowed for a much more open discussion of the findings without being restricted to certain theoretical key concepts. Due to the subject's relative rudimentary status, the thesis started at the most basic level, generating a refined definition and empirical framework to assess the internationalization efforts by Vietnam and the Philippines. Given several similarities in regard to the countries role in the South China Sea conflict – both have territorial disputes with China and other claimants, are engaged in energy cooperation, and maintain a vital economic as well as political interest in the Sea – they provided an illustrative case study to develop and test the processed conceptualization.

This general interest was illustrated in the first of two research questions:

Why and in which form have Vietnam and the Philippines internationalized their energy exploration and exploitation activities in the South China Sea since 2002?

One major rationale for internationalization that evolved the further the conceptualization was developed is to increase a country's leverage towards more assertive actors in the region. Particularly with respect to powerful countries like China, internationalization is an act of hedging, whereby more states become engaged in the regional affairs constraining unilateral actions set by others. With respect to the internationalization of energy exploration and exploitation activities, the argument is that the economic stake acquired by private and state-owned companies binds the host state of the cooperating company closer to the region. While this entanglement of foreign countries in the South China Sea dispute is widely discussed as an enmeshment strategy (Goh 2008), internationalization is one vital element of it. In regard to Vietnam and the Philippines, the empirical data revealed that both have actively internationalized its energy exploration and exploitation efforts.

Between 2002 and 2015, Vietnam signed 59 agreements with 39 firms from 19 countries. In the same period, the Philippines signed 12 agreements with 13 firms from 7 countries. Despite this difference in the total number of signed agreements, which can be explained by Vietnam's much larger oil and gas deposits, the analysis highlighted certain patterns in the countries' internationalization efforts. Both countries cooperate to a similar extent with companies from the region and extra-regional actors. In this context, companies from Australia and Malaysia are the most active regional actors, whereas firms from Russia and the United Kingdom are the most engaged extra-regional actors. Moreover, the primary form of cooperation is an economic one, where ownership and/or operatorship of the oil and gas blocks was either transferred to the exploring and exploiting company, or a fee was paid for their service.

In addition to developing this conceptualization, the thesis focused on the implications of internationalizing the exploration and exploitation activities in the South China Sea on the national and regional security dynamics. This focus aimed to link the analysis and the outlined concept of internationalization closer to the field of international relations and was addressed by the second research question:

Which effects had the internationalization on the security situation of both countries and the wider South China Sea region?

Due to the absence of decisive tools, the thesis highlighted the number of stakeholders as the major determinant in assessing the effects of internationalization. With respect to energy exploration and exploitation, stakeholders include (semi-) state-owned and private energy companies. While the thesis did not sincerely distinguished between these two types of ownership, a point was made that both matter. State-owned companies are linked in one-way or another to the conduction of governmental directives, whereby they can become politically instrumentalized, pursuing a course of action that is influenced by the interest of the relevant state and its government. In this context, a second element of internationalization has evolved: Any cooperating state could use the assets of its national oil and gas company to justify a more assertive strategy towards the South China Sea, including among others an increased voice in regional institutions and an extend physical presence, if it feels the necessity to do so in order to protect its economic interests.

Referring to this, India's at least verbally challenge to protect its economic interests acquired by ONGC Videsh, is one demonstrative example for this argument. Beyond doubt, it is rather unlikely for the time being that this presence appears in the form of Indian navy vessels roaming the Vietnamese Exclusive Economic Zone, but it is apt that India will support Hanoi with equipment, training and conduct joint naval exercises, who are certainly in territory where Indian economic interests are at stake. Contrary to this, the economic assets owned by private companies might not immediately produce such severe tensions. However, as the thesis has argued, any threat towards the interests of these companies is likely to result at the minimum in diplomatic displeasure. Certainly, several factors will determine how states will deal with the assets of its companies, but the potential to affect the regional security dynamics cannot be denied. In this context, as it has been highlighted, internationalization is not only a strategy for countries like Vietnam and the Philippines to increase its own security by engaging more actors in various issues. It is also a strategy for countries that aim to extend and strengthen their foothold in the region.

In hindsight, this latter aspect is one decisive outcome of the analysis that should be closely considered in future research. Additionally, whether or not the structure of a company in terms of ownership matters remains a similar concern for further investigations. The thesis in hand has not pursued this question, because neither does a sufficient set of literature exist on this topic nor was the issue perceived to be decisive at the beginning of the research. A significant distinction in the response to cooperation with foreign firms, moreover, was only detectable for the case of Vietnam and India, and Beijing's issuing of an immediate stop of the tender process in 2012. Beyond that, the general Chinese attitude of criticizing any cooperation with foreign firms was the default condition.

Focusing on the implications of internationalization on the national security of Vietnam and the Philippines, the discussion in the prior chapter made a point in support of Goh's enmeshment concept. In this context, as it was highlighted, internationalization is one vital element of the enmeshment strategy. Being prone to be internationalized, the energy exploration and exploitation efforts are one issue beside many. In general, the linkage between internationalization and the concept of enmeshment is another aspect on which future research should pay close attention. It only slowly evolved throughout the thesis how connected both features are.

As the discussion in the prior chapter illustrated, the internationalization efforts set by Vietnam and the Philippines have certainly contributed to its own national security, as new actors were attracted to the region and longstanding partners got more engaged. It is interesting to note that no distinction could be made between the regional and global level, as actors from both were the primary targets of the countries' internationalization strategies. While this draws a rather complex picture of states entanglement in the region, it makes sense for at least one significant reason: Avoiding to be dropped once the chips are down. In the theoretical section, the thesis criticized the defensive neorealist favor for balancing as being in contradiction with the paradigm's ontological understanding of a world in which trust is a rare jewel. If this assumption holds true then balancing should always occur with as much actors as possible, whereby free riding and deviating behavior can be compensated. In retrospect, the link between internationalization and neorealist' balancing is a third feature that should be closely studied in the future.

With respect to regional dynamics, the analysis has revealed a split in nations who have either geopolitical or geo-economic interests in the region. Among the countries that essentially have both, the rising great power India and the advanced middle power Australia are the most significant actors. While the data revealed a less active engagement than previously anticipated by the former, Australia's strong activity was likewise unexpected. Taking into account New Delhi and Canberra's strategic considerations, cooperating with Vietnam and the Philippines makes good sense for both countries, as it increases their engagement in the region. From an Indian point of view, the South China Sea conflict provides at least one opportunity to directly balance China, aiming to limit Beijing's influence and leeway in South Asia. Similarly, Australia's engagement in the South China Sea links the country closer to Southeast Asia, and broadens the avenues on which it could challenge its major security concerns, Indonesia and China. This hints at an increased complexity of the regional security dynamics that are not only predetermined by the security issues of the littorals but also by the cooperating states in the region. Referring to the United States, the data revealed an overall less active engagement by companies from the U.S. than was expected at the beginning of the research.

In hindsight, given its general status as the most important extra-regional actor this finding is no sudden surprise. Washington is already directly – *Mutual Defense Treaty* with the Philippines – and indirectly – economic and military equipment support to the majority of the littorals – well linked to the region, and the pivot to Asia aimed to reinforce the U.S. interest in the region. The relatively few agreements are the result of the overall involvement of the United States in the region and the Southeast Asia nations' strategy to avoid an alignment with either China or the U.S. Thus, it can be considered as sound judgment by the littorals to use the issue of energy exploration and exploitation to expand their web of partnership, attracting new actors and deepening the relationship with existing partners. In turn, this contributes to the fulfillment of the ASEAN nations' objective to overcome a bipolar situation in Southeast Asia, whereby the interests of Beijing and Washington superimpose the concerns of the ASEAN states. While the interests of India, Australia and the United States in the South China Sea are relatively firm and known, the role of Russia and Japan has to be closely monitored in the future.

At the time of writing, Russia's interest in Southeast Asia in general, and the South China Sea in particular remains predetermined by geo-economic aspects. Whether or not Moscow will become a proactive actor in the South China Sea conflict depends foremost on what happens at its Eastern border in Ukraine, and how the relationship between Moscow and Beijing continues to evolve in the near future. As the recent events have shown, it is rather unlikely that Russia will be untouched by the conflict for much longer. Compared to Russia, the review of Article 9 in 2014 has increased the leeway of Japanese actions in the South China Sea.

How they will interpret this review, however, will depend on a number of issues, including the general rejection of remilitarization and a proactive foreign policy by the majority of the Japanese population. In the same vein, it is important to consider the future behavior of other regional powers, particularly Indonesia. While Jakarta is not a strong actor neither in the Vietnamese nor the Philippines South China Sea offshore oil and gas sector, it has similar concerns towards Australia and China, and the extended presence of both is certainly affecting Indonesia's security consideration. The real question in this regard, however, is whether or not Indonesia continues its path of being a severe moderator between the disputants in the South China Sea conflict.

To bring this thesis to a close, at least five points are worth mentioning that should be thoroughly inquired by future research. *First*, internationalization has to be closer linked with the concept of enmeshment, further developing it as one part of this complex strategy. Associated to this, *second*, is an investigation to which extent internationalization conceptualized in this thesis is distinctive from neorealist proposals of balancing, in particularly what they have defined as external balancing. To be more precise, internationalization should be further conceptualized at the intersection of power politics (realism and neorealism) and economic politics (liberalism) – or geopolitics and geo-economics. *Third*, the role of private and state-owned companies should be further researched. This could be done by an examination of the governmental interests and how the oil and gas firms conduct them. *Fourth*, as mentioned above, the role of Russia, Japan and Indonesia should be closely monitored in the future to see whether or not their strategy towards the South China Sea conflict has changed. Finally, and *fifth*, while neorealists might complain about the outlined approach of this thesis, arguing in favor of a balancing explanation, this critique is shortsighted because the situation in the South China Sea does not reflect a system of balancing alignment but a *concert* of medium and great powers that compete in the same area for several reasons.

The thesis has shown that internationalization is an important element in the enmeshment strategy of Vietnam and the Philippines and it is closely linked to issue of national as well as regional security. Thus, rather than neglecting the issue as an individual aspect in International Relations Theory close attention should be paid to it, aiming to further develop the existing understanding of the subject. This thesis has set an initial step and outlined one possible path to investigate the internationalization efforts set by states. This path shall help to guide other researchers, disregarding the black-and-white picture of the world emerging from repetitive theoretical analyses in favor of more vivid debates and descriptions of the situation as it is. The South China Sea conflict remains one illustrative region in the world, where such pictures are able to capture. Moreover, it is a region that requires eclectic approaches to understand the whole color spectrum of international relations in the region. While the neorealist picture of the conflict is grim and pessimist, history has shown that Asia is capable in prospering peaceful alongside each other. If it should fail to continue to do so, the concert of powers in the South China Sea conflict is likely to be devastating – not only for the region.

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APPENDIX

Appendix 1 – List of E&E Activities in Vietnam’s Oil and Gas Blocks (Own Depiction)

The presented year’s refers to the last date where a significant change has been occurred, for example a change of ownership or operatorship. Former structure of cooperation in (). “PSC” = Production Sharing Contract; “MoU” = Memorandum of Understanding. “(X)” refers to blocks in disputed territories.

No.	Block	Year	Partnership	Form of Cooperation
1	01	2010	PetroVietnam and PVEP (2003-2010: PetroVietnam, PVEP and Petronas Carigali Overseas)	PSC
2	02/12	2012	PetroVietnam, PVEP and Petronas Carigali Overseas	PSC
3	4-1 (X)	2009	Zarubezhneft and PetroVietnam	PSC
4	4-2	2014	Mubadala Petroleum and Talisman (2010-2014: PetroVietnam, Pearl Oil and Bitexco)	PSC
5	4-3 (X)	2009	Zarubezhneft and PetroVietnam	PSC
6	05-1a	2009	PetroVietnam and PVEP	PSC
7	05-1b	2004	Idemitsu, JX Nippon Oil & Gas EC and Teikoku Co.	PSC
8	05-1c (X)	2004	Idemitsu, JX Nippon Oil & Gas EC and Teikoku Co.	PSC
9	05-2 (X)	2012	Bien Dong Petroleum Operating Company and Gazprom	PSC
10	05-3 (X)	2012	Bien Dong Petroleum Operating Company and Gazprom	PSC
11	06-1 (X)	2014	ONGC Videsh Ltd. and PetroVietnam	PSC
12	07 (X)	2009	Premier Oil, Pitkin, Pearl Oil and Pan Pacific Petroleum	PSC
13	09-2	2009	PTTEP, Soco International and PetroVietnam	PSC
14	09-3	2002	Zarubezhneft, PetroVietnam	Petroleum Contract
15	10	2002	PetroVietnam, PIDC, Petronas Carigali Overseas and Pertamina	Petroleum Contract
16	11-1	2002	PetroVietnam, PIDC, Petronas Carigali Overseas and Pertamina	Petroleum Contract
17	11-2	2004	Korean National Oil Company and PVEP	PSC
18	12W	2008	Premier Oil, Santos, and PVEP	Exploration
19	12E (X)	2006	Santos, Premier Oil and Delek Energy	Exploration
20	15-1	2007	PetroVietnam, Perenco, Korean National Oil Company, SK Corporation	PSC
21	15-2	2012	JX Nippon Oil & Gas Exploration, Perenco and PetroVietnam (2004-2012: JX Nippon Oil & Gas Exploration, ConocoPhillips and PetroVietnam)	PSC

22	16-1	2009	PetroVietnam, Soco International, PTTEP and OPECO	PSC
23	16-2	2007	JX Nippon Oil & Gas, PVEP and VietSovPetro	PSC
24	19	2009	Mitra Energy, KUFPEC and Singapore Petroleum	PSC
25	20	2009	Mitra Energy, KUFPEC and Singapore Petroleum	PSC
26	28	2007	PetroVietnam and Mitra Energy	PSC
27	29 (X)	2007	PetroVietnam and Mitra Energy	PSC
28	31	2015	Salamander Energy, PetroVietnam and Origin Energy (2009-2015: PetroVietnam, Salamander Energy and PVEP)	PSC
29	42 (X)	2013	PetroVietnam, Zarubezhneft and PVEP	PSC
30	48 (X)	2015	PetroVietnam, Mitsui Oil EC and PTTEP (2009-2015: Chevron, Mitsui Oil EC, PetroVietnam and PTTEP)	Seismic Survey
31	51 (X)	2010	PetroVietnam, Mitra Energy, KUFPEC and PVEP	PSC
32	52 (X)	2012	Chevron, PetroVietnam, Mitsui Oil EC and PTTEP	PSC
33	100	2006	PetroVietnam, Santos and Singapore Petroleum	PSC
34	101	2006	PetroVietnam, Santos and Singapore Petroleum	PSC
35	102	2014	ONGC Videsh and PetroVietnam (2005-2014: PetroVietnam, Petronas Carigali Overseas, BHD, PIDC, Singapore Petroleum and ATI Petroleum)	PSC
36	103	2007	PetroVietnam, Petronas Carigali and PVEP	PSC
37	105	2015	Kris Energy (2010-2015: PetroVietnam, NEON Energy and ENOVATION Resources)	PSC
38	106 (X)	2014	ONGC Videsh and PetroVietnam (2005-2014: PetroVietnam, Petronas Carigali Overseas, BHD, PIDC, Singapore Petroleum and ATI Petroleum)	PSC
39	107 (X)	2007	PetroVietnam, PetronasCarigali and PVEP	PSC
40	110 (X)	2010	PetroVietnam, NEON Energy and ENOVATION Resources	PSC
41	111 (X)	2009	Gazprom and PetroVietnam (2002-2009: OMV and PetroVietnam)	Exploration
42	112	2006	Gazprom and PetroVietnam	Exploration
43	113	2005	Gazprom and PetroVietnam	Exploration
44	114	2012	Eni and Essar Energy (2009-2012: PetroVietnam, Essar E&P)	PSC
45	116	2014	Eni	PSC

46	117 (X)	2009	ExxonMobile (prior BP)	Exploration and Production
47	118 (X)	2009	ExxonMobile (prior BP)	Exploration and Production
48	119 (X)	2009	ExxonMobile (prior BP)	Exploration and Production
49	120 (X)	2015	KrisEnergy and Eni (2009-2015: PetroVietnam and NEON Energy)	PSC
50	121 (X)	2009	Pan Pacific Petroleum, Origin and Premier Oil	PSC
51	122 (X)	2014	Eni (2006-2014: PetroVietnam, Chevron and Petronas Carigali Overseas)	PSC
52	123 (X)	2011	Santos and PetroVietnam (2008-2011: PetroVietnam, Santos Energy, SK Energy and PVEP)	PSC
53	124 (X)	2014	Eni and Santos (2006-2014: PetroVietnam, Pogo Production Company, Keeper Resources)	PSC
54	125 (X)	2014	Zarubezhneft, Rosneft and PetroVietnam	MoU
55	126 (X)	2014	Zarubezhneft, Rosneft and PetroVietnam	MoU
56	127 (X)	2014	AziPac Ltd. and Mitra Energy (2006-2014: ONGC Videsh and PetroVietnam)	PSC
57	128 (X)	2006	ONGC Videsh and PetroVietnam	Exploration
58	129-132 (X)	2015	Gazprom and PetroVietnam	PSC
59	156-157 (X)	2009	PetroVietnam and ExxonMobile	PSC

Appendix 2 - List of E&E Activities in the Philippines Oil and Gas Blocks (Own Depiction)

The presented year's refers to the last date where a significant change has been occurred, for example a change of ownership or operatorship. The years in () are the date of expiration. "(X)" refers to Service Contracts in disputed territories, which were more difficult to assess than for the case of Vietnam. However, the Chinese nine-Dash line comes close to the area offshore Palawan, whereby it is fair to assume that a good share of this area is within disputed territory. The most obvious case is Service Contract 72 that is at the Reed Bank.

Number	Service Contract	Year	Partnership
1	Service Contract 6 Block A	2011 (2024)	Pitkin Petroleum
2	Service Contract 14 C1	2013 (2025)	Otto Energy and Galoc Production Company WLL
3	Service Contract 14 C2	2008 (2025)	Pitkin Petroleum
4	Service Contract 50	2013 (2015)	Frontier Oil Corporation (2005-2013: Frigstad Energy)
5	Service Contract 54 Block A	2010 (2015)	Nido Energy, Kairiki, Trafigura Ventures III BV and TG World Energy Corporation
6	Service Contract 54 Block B	2012 (2015)	Nido Petroleum and Kariki Energy (2005-2012: Nido Petroleum and Shell)
7	Service Contract 55 (X)	2015	Otto Energy and Red Emperor (2005-2011: Otto Energy; 2011-2013: Otto Energy and BHP Billiton; 2013-2015: Otto Energy)
8	Service Contract 57 (X)	2006 (2010)	PNOC, CNOOC and Mitra Energy (2005-2006: PNOC)
9	Service Contract 58	2006 (2015)	Nido Energy and PNOC
10	Service Contract 59 (X)	2006 (2014)	PNOC and BHP Billiton Petroleum
11	Service Contract 63	2014 (2015)	PNOC, Nido Energy and Dragon Oil (2006-2014: PNOC and Nido Energy)
12	Service Contract 72 (X)	2008 (2015)	Forum Energy and Monte Oro Resources and Energy (2002-2005: Sterling Energy; 2005-2008: Forum Energy)
13	Service Contract 74	2013 (2015)	Pitkin Petroleum and Philex Petroleum
14	Service Contract 75 (X)	2013 (2015)	Philex Petroleum Corporation, PNOC and PetroEnergy Resources Corporation

ABSTRACT

Internationalization has become a buzzword in regard to the South China Sea dispute. The Philippines submission of a legal case to the International Court of Arbitration has been the most illustrative example of the littorals' internationalization efforts so far. Another issue that is subject to internationalization is energy cooperation, in particular activities of exploration and exploitation. Since the first discovery of oil and gas deposits in the South China Sea, the littorals have been actively engaged in cooperation with foreign firms to survey and produce the expected resources. Although this cooperation was primarily due to the relative incapability of the newly established national oil and gas firm, whereby foreign companies had to provide the necessary technological know-how and expertise, internationalization is also linked to aspects of national security. In this context, internationalization is a form of hedging towards more assertive countries by entangled as much actors as possible in the region. Hitherto research is slowly incorporating this aspect in its analysis but has failed to generate a profound conceptualization of the subject. Against this background, this thesis elaborates a first-of-its-kind conceptualization of internationalization that includes an appropriate definition and an empirical framework to assess the internationalization efforts by states. As this thesis aims to bridge the issue close to the field of International Relations Theory, the analysis will focus on the implications of internationalization on the national and regional security dynamics. Contrary to most analysis, this inquiry focuses on the "empirics first". This shall avoid a theoretical bias for the sake of a more vivid explanation of the current situation in the South China Sea. Two research questions will guide this thesis: *Why and in which form have Vietnam and the Philippines internationalized their energy exploration and exploitation activities in the South China Sea since 2002?*; and *Which effects had the internationalization on the security situation of both countries and the wider South China Sea region?*. The established framework will assess the level, form and effect of internationalization. In particular, the focus is on the structure and number of stakeholders who have acquired an economic interest in the region, whereby they become closer entangled to the regional affairs. Stakeholders in this context are private and state-owned energy enterprises. To test the developed conceptualization, the thesis focuses upon the internationalization efforts by Vietnam and the Philippines. As the analysis has shown, both countries similarly diversify its energy cooperation with companies from the region and beyond. Although differing in the total numbers of cooperation partners, Vietnam and the Philippines have increased the number of stakeholders significantly between 2002 and 2015, whereby they were able to attract new and strengthening the ties of older stakeholders in the region. This affects the national as well as regional security dynamics, as several companies from countries that have geopolitical and geo-economical interests in the South China Sea, particularly Australia, India, Russia, the United States. The results suggest that the South China Sea conflict is characterized rather by a concert of powers than bipolar security alignment.

ZUSAMMENFASSUNG

Internationalisierung entwickelte sich in den letzten Jahren zu einem zentralen Schlagwort im Konflikt im Südchinesischen Meer. Das bisher anschaulichste Beispiel für die Internationalisierungsbemühungen der Anrainerstaaten war die Anrufung des Internationalen Schiedsgerichtes zur Lösung territorialer Streitigkeiten durch die Philippinen. Internationalisierung findet aber auch in Bezug auf andere Aktivitäten Anwendung. Hier ist vor allem der Bereich der Energie Exploration und Abbau zu nennen. Seit der Entdeckung der ersten Öl- und Gasvorkommen im Südchinesischen Meer Mitte der 1970er haben die Anrainerstaaten zum Zwecke der Feldentwicklung mit internationalen Energiefirmen zusammengearbeitet. Dies ist zwar vorrangig mit den relativ begrenzten Fähigkeiten der neugeschaffenen nationalen Energiefirmen begründet, wodurch eine Zusammenarbeit mit hoch technologisierten ausländischen Unternehmen notwendig wurde. Allerdings ist Internationalisierung auch mit Aspekten nationaler Sicherheit verbunden. In diesem Zusammenhang zielt Internationalisierung darauf ab sich gegen aggressiv auftretende Staaten zu schützen indem so viele Akteure wie möglich in die Angelegenheiten der Regionen involviert werden. Die bisherige Forschung beginnt nur langsam diesen Aspekt in ihre Analyse zu inkludieren. Ein Mangel ist vor allem im Bereich der Konzeptualisierung zu erkennen. Diesen Mangel nutzt, die vorliegende Abschlussarbeit zur Ausarbeitung einer „first-of-its-kind“ Konzeptualisierung des Internationalisierungsbegriffes. Dies beinhaltet eine für die Theorien der Internationalen Beziehung relevante Definition und ein empirisches Framework zur Analyse der Internationalisierungsbemühungen von Staaten. Um Internationalisierung stärker mit dem Bereich der Internationalen Beziehungen zu verbinden, widmet sich die Analyse den Implikationen auf die nationalen und regionalen Sicherheitsdynamiken. Entgegen konventionellen Vorgehensweisen wird nicht zunächst ein monotones Theorieverständnis geschaffen, sondern auf die empirische Evidenz fokussiert. Dieser „empirics first“ Ansatz soll eine theoretische Voreingenommenheit zum Zwecke einer anschaulicheren und der Realität im Konflikt im Südchinesischen Meer näheren Analyse. Dabei ist Abschlussarbeit von zwei zentralen Forschungsfragen geleitet: *Why and in which form have Vietnam and the Philippines internationalized their energy exploration and exploitation activities in the South China Sea since 2002?*; and *Which effects had the internationalization on the security situation of both countries and the wider South China Sea region?*. Das entwickelte empirische Framework erfasst den Level, die Form und die Effekte der Internationalisierung. Im Speziellen fokussiert das Framework auf die Struktur und die Anzahl der Stakeholder, die ein ökonomisches Interesse in der Region haben. Stakeholder sind staatliche und private Energiefirmen. Um die Konzeptualisierung zu testen und anzuwenden analysiert die Arbeit die Internationalisierungsbemühungen Vietnams und der Philippinen. Wie die Analyse aufzeigt betreiben beide Länder eine aktive Internationalisierungsstrategie und diversifizieren ihre Kooperationspartner auf der regionalen und globalen Ebene. Trotz quantitativer Unterschiede in der Anzahl an gezeichneten Kooperation haben beide Länder zwischen 2002 und 2015 eine Vielzahl an neuen Stakeholder gewinnen und bereits aktive Kooperationspartner stärker in der Region binden können. Dies beeinflusst nicht nur die nationale Sicherheit, sondern auch die regionale Sicherheitsdynamik, da viele Kooperationspartner in Ländern mit geopolitischen und geoökonomischen Interessen im Südchinesischen Meer beheimatet sind – vor allem Russland, Australien, die USA und Indien. Die Ergebnisse der Analyse charakterisieren den Konflikt im Südchinesischen Meer eher als ein Konzert der Mächte denn Vorherrschen bipolarer Sicherheitsausrichtungen.

CURRICULUM VITAE

Research Interests

International Relations Theory, with particular focus on East and Southeast Asia (special expertise on the *Taiwan Strait* and the *South China Sea Conflict*);

Energy Security, especially in the context of International Relations, its linkage with international conflicts and the global resource nexus, and the impacts of Science and Technology on energy security (special expertise on *nuclear energy* and *thorium-fuelled reactors*);

Science and Technology Studies, with respect to its effects on international relations and the general entanglement of science, technology and international relations (special expertise on *thorium-fuelled reactors* and *China*);

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B.A. Sociology

1st BA-thesis: *Zur Rolle der Selbstdarstellung in Sozialen Netzwerken am Beispiel Facebook* [The Role of self-display in social networks using the example of Facebook] Supervisor: Mag.a Dr.in Rief, Silvia

2nd BA-thesis: *Zum Verhältnis von Moral und Gesellschaft* [The relationship of Moral and Society] Supervisor: Prof. Dr. Markus Pohlmann

B.A. Political Science

1st BA-thesis: *Pop und Politik. Zur Popmusik im Wahlkampf* [Pop and Politics. Popmusic in election campaigns] Supervisor: Dr. Bernhard Natter

2nd BA-thesis: *Der Operational Code von Condoleezza Rice* [The Operational Code of Condoleezza Rice] Supervisor: Ass. Prof. Dr. Franz Eder

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Internship at the department of employment policy
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Teaching Experiences

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Tutorial on SE Political Systems and International Relations in East Asia

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Presentations

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6th Annual Prague Conference on Asian Studies: “Do Good Fences Make Good Neighbors? – Borders and Borderlands of the Asia Pacific.” Prague, Czech Republic; November 2014

- Paper Presented: *Internationalizing the Energy Resources of the South China Sea – Vietnam, the Philippines, and Malaysia.*

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