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Maritime Claims, Energy, and the South China Sea

An Analysis on the Role of Energy Security in the South China Sea Dispute between China, Malaysia, and Vietnam

Topic and Research Question

China and ASEAN nations have experienced profound socioeconomic change fueled mainly by exceptional economic growth rates. This change, however, has mostly been fueled with fossil fuels and has brought forward the notion of energy security as a leading concern among governments in the area. China, Malaysia, and Vietnam all share the same predicament of standing on the verge of becoming net energy importing countries or already having become one. All three countries are eager to improve their energy security by further exploiting existing and new energy deposits. To fuel their socioeconomic development, the littoral countries of the South China Sea (SCS) have intensified their efforts to explore and exploit the supposedly rich oil- and gas deposits in these disputed waters. Against the backdrop of tempers flaring once again high in the South China Sea dispute and the notion of energy security prominently emerging, the main research question is as follows:

What role does energy security play in the South China Sea dispute between China, Malaysia, and Vietnam and what implications does it entail for the process of understanding the dispute?

The two additional research questions are:

- 1) *What kind of energy governance is prevalent in each country and how does it relate to the state interaction between China, Malaysia, and Vietnam in the South China Sea?*
- 2) *What kind of correlation can be observed between China, Malaysia, and Vietnam's energy security policies and their strategic approaches in the South China Sea?*

State of the Art

The term energy security has invoked continuous debates over its definition (Löscherl et al. 2010, Chester 2010, Winzer 2012). The contemporary discourse is divided mainly into two groups, one trying to quantify energy security mainly via metrics (Kruyt et al. 2009, Sovacool 2011, Löscherl et al. 2010) and the other applying a more "qualitative" approach via taxonomies and indices (Cherp and Jewell 2011, APERC 2007). Looking at current South China Sea

literature, the notion of energy security has rarely been incorporated into broader analyses of causes and factors for the dispute and building of tensions (Buszynski and Sazlan 2007, Schofield and Storey 2009, Zhao 2011). Instead, the major body of scholarly literature focuses on the area's potential energy resources (Creehan 2012, Muscolino 2013, Rogers 2013, Zou 2012) and the confronting territorial- and maritime claims (Raine and Le Mière 2013, O'Rourke 2014), in particular incidents in and around the South China Sea (Amer 2014, Downs 2014, Storey 2014).

Methodology and Approach

The core of the analytical framework is based around the theory of **International Political Economy (IPE)**. In terms of the role of energy security in the SCS dispute, the approach taken

1) analyzes the **domestic-international interaction**, in which the domestic level heavily influences the international level, but is also affected by it. With IPE identifying 1) *information*, 2) *institutions*, and 3) *interests* as the main drivers behind policies, an energy security assessment framework in addition to a 'Governance and Political Economy Analysis' of energy security are chosen to analyze the first level of interaction of the analytical framework. In order to establish the role of energy security in the SCS dispute, however, it is necessary to put the results from analyzing the domestic-international interaction into the actual context in the area, meaning

2) analyzing the **international interaction** between China, Malaysia, and Vietnam. The domestic-international interaction has identified the relevant issues and consequently the policies states have taken to increase their energy security. Putting these results into the actual SCS context and identifying 1) *state interests* regarding the area, analyzing 2) the *strategic setting* as well as 3) the *role of uncertainty*, a clearer picture of state interaction in the SCS is drawn.

Main Facts

China, Malaysia, and Vietnam all have claimed parts of the SCS, although energy resources have only been scarcely mapped out and the legal basis of most claims does not conform wholly with international law.

China heavily emphasizes self-reliance and sovereignty in its energy security strategy, which makes its rising reliance on sea-based oil- but also gas imports a top priority for Beijing. China claims more than 80% of the SCS, with the country being largely dependent on seaborne energy imports through the key SLOC flowing through the area, as Beijing has to import close to 70% of its oil which has to be transported through the SCS. This, in turn, gives an explanation for China's assertive behavior, as the SCS is seen as the lifeline in terms of energy security.

Malaysia's energy security policies reflect its shift towards a net energy importing country, stabilizing and expanding domestic production as well as trying to decrease oil and gas demand through energy efficiency policies. As most of the country's still substantial oil- and gas resources lie offshore its Sarawak and Sabah states in the SCS, further exploiting new deepwater deposits and expanding further into the SCS is the core of Malaysia's energy security strategy.

Vietnam, just like Malaysia, is poised to become a net energy importer very soon. However, being one of the most energy intense and fastest growing countries in terms of annual energy consumption in Asia, Hanoi is in dire need of increasing its energy production. Unsurprisingly, its energy security strategy focuses at increasing E&P activities and curbing energy intensity. As most of the country's existing fields in the SCS have become mature, Vietnam has been aggressively expanding deeper into offshore waters in the SCS.

Results

Energy security plays a prominent role in shaping and influencing state interaction in the SCS. Energy security plays an integral part of each country's interests in the SCS, as is evident by increasing E&P activities by all three countries analyzed. Energy

security is most likely the most important interest of states concerning the SCS, albeit inherent deficits and flaws concerning the precise nature and location of resource as well as embedding E&P activities and energy security in a legally binding, formal framework exist. The analysis shows that state interaction resulting in major maritime or diplomatic incidents between China on the one and Malaysia and Vietnam on the other side had their roots in each country's strategy to strengthen its own energy security, which meant that interests collided with each other. Overall, the **main results** of the thesis are as follows:

1) **Energy security plays a dominant role in the SCS dispute** between the three countries, as it occupies a key role in each state's interests, the strategic setting, and as a major factor for creating uncertainty. The SCS dispute is often portrayed as a dispute over territorial and maritime claims, which is only partially correct, as both are only one part of the medal.

2) **Energy security, at least for China, Malaysia, and Vietnam, is intimately interwoven with the dispute over maritime and territorial claims, and vice versa.** Furthermore, the analysis shows that the domestic level and the way energy is governed has a direct influence at shaping state interaction in the SCS. In addition, a direct correlation could be observed between energy security policies on the one and strategic approaches in the SCS on the other hand for all three analyzed countries.

References

All references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at/>

About the Author

Fabian Baumert holds a B.A. in Political Science from the University of Marburg, Germany. His research interests include Green Growth, energy systems, energy security as well as International Relations and security affairs in East- and Southeast Asia with a focus on contemporary disputes from regional and energy security perspectives.



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