

OIL, GAS, AND THE SOUTH CHINA SEA:

**How China's Energy Expansionism Threatens
a Free and Open Indo-Pacific**

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EXECUTIVE SUMMARY

China's strategic emphasis on low-carbon energy has captured the attention of U.S. analysts, prompting some to call for a commensurate focus on the space stateside.¹ Though China indeed has invested heavily in what the International Energy Agency (IEA) calls energy transition minerals (ETMs),² produces more solar panels than any other country,³ and is quickly scaling its battery production,⁴ China's energy appetite is decidedly omnivorous. While it has ramped up on ETMs, solar panels, and batteries, China has never wavered from its quest to secure the fossil resources that constitute the overwhelming majority of its total energy mix.

China's soaring oil and natural gas demand has catalyzed a policy of increased resource production. Pursuant to its resource security imperative, China now routinely encroaches upon the waters of other South China Sea littoral states, such as Vietnam, the Philippines, and Malaysia. Despite international rulings against its behavior in the region, China's expansionary pursuits have only intensified in recent years, jeopardizing the shared global interest of a free and open Indo-Pacific.

China's Energy Demand

China's primary total energy consumption continues to climb each year.⁵ It more than doubled between 1989 and 2004, then doubled again by 2019. Growth in solar, wind, and nuclear power generation has satisfied some of that new demand, but increases in the use of fossil energy have been and continue to be more substantial.

According to BP's 2021 Statistical Review of World Energy, while China led the globe in non-hydro renewables additions in 2020, its 2020 coal production increase *exceeded* its additional renewables use by 10 percent on an exajoule basis.⁶ Sometimes overlooked amid the coal spree chastisements and the renewables and electric vehicles cheerleading is that China is also thirsty for more oil and natural gas.

In 2020, China's additional use of oil and gas exceeded its additional renewables use by 30 percent on an exajoule basis.⁷

Today, China consumes 50 percent more crude oil than it did just ten years ago.⁸ According to the U.S. Energy Information Administration (EIA), China's oil consumption growth accounted for two-thirds of new global oil consumption in 2019.⁹

The increases have been so consistent that even as the coronavirus pandemic slowed economies the world over in 2020, China increased its use of crude, being "virtually the only country" to do so, according to BP. By the end of the year, China had used about 5 billion barrels of oil, an all-time national record.¹⁰

In June 2021, the most recent monthly period for which statistics are available as of this writing, China's refineries processed more oil than in any other month in its history at over 15 million barrels per day.¹¹ By some estimates China has now surpassed the United States as the world's largest oil refiner.¹²

China's use of natural gas has accelerated even faster than its use of oil, multiplying tenfold since 2001.¹³ While oil's growth in China has tracked with the country's overall energy usage uptick, remaining at around 20 percent of the total energy supply for past twenty years, natural gas has ascended in the same time period from 2 percent of China's total energy to 8 percent. For comparison, in 2018, the last complete year in IEA's data browser, wind and solar combined to provide less than 3 percent of China's energy.

S&P Global Platts Analytics expects China's gas demand to reach 360 billion cubic meters in 2021, an astonishing 8.4 percent year-over-year jump.¹⁴

China's Import Reliance

To Beijing's consternation, China's production of oil and gas has failed to keep pace with its swelling appetite.

As the country's economic activity boomed in the wake of Deng Xiaoping's market reforms, foreign oil became a key productivity and standard-of-living input, with imports rising from a paltry 12 million tons in 1990 to 100 million tons by 2000.¹⁵

Since 1990, industrial consumption of oil has grown by 144 percent. Meanwhile, transportation consumption has grown by almost 1,500 percent.¹⁶ As described by Guy C. K. Leung, Raymond Li, and Melissa Low in the journal *Eurasian Geography and Economics*, the biggest factor in this growth has been the proliferation of private passenger vehicles as the Chinese people have gotten wealthier.¹⁷ In 1990, fewer than 1 million private passenger vehicles were on the road in China. There are now more than 200 million,¹⁸ and less than 3 percent of those are electric.¹⁹

With China's integration into world markets accelerating in the 1990s and into the new century, its import appetite continued to enlarge and emerge as a strategic concern. In 1999, Sergei Trough identified in a report for the Brookings Institution that China risked "heavy dependence" on foreign oil, particularly from the Middle East. "It would not be an exaggeration to say," he argued, "that the key objective of China's oil strategy will be to avoid this strategic vulnerability."²⁰

As China's oil consumption has continued to increase through the past two decades, the global energy landscape has shifted around it. While in 2000 China's 100 million tons of crude imports were just one-fifth of what the U.S. took in, by 2017 China had become the world's largest crude importer.²¹ This resulted from not only China's own demand growth, but also from the boom in production stateside, and the concomitant decline in U.S. oil imports.²² The U.S., a country that once faced its own energy security challenges, is now the world's largest producer of crude oil and a net exporter of refined petroleum products. Since 2016, the U.S. has exported more than 200,000 barrels per day to China.²³ In 2020, that figure jumped to nearly 400,000 barrels per day, at a value of over \$6 billion.²⁴ According to Reuters, China's total purchases of major U.S. energy exports, including crude oil, liquefied natural gas, coal, and refined products, were worth over \$9 billion in 2020, more than one-third of the \$25 billion target set out in the Phase 1 trade deal.²⁵

Amid its demand surge, China's production of oil has increased, but by a trivial volume in comparison, with its national output today registering just 38 percent higher than in 1990.²⁶

In 2019, imported oil met 72 percent of China's total demand.²⁷ According to a March 2021 Wood Mackenzie report, that figure now stands at 75 percent.²⁸ In 2020, more than 45 percent of China's crude imports were supplied from the Persian Gulf and another 11 percent came from Africa, leaving China glaringly vulnerable to geopolitical supply disruptions at both the Hormuz and Malacca Straits bottlenecks.²⁹

By 2030, Wood Mackenzie estimates, China will depend on imports for 80 percent of its oil and half of its natural gas. Trough's projection before the turn of the millennium has been borne out and Beijing now finds itself scrambling for solutions to a status quo it finds untenable.

Enter Xi Jinping

The People's Republic of China (PRC) seeks stable energy resources. In the case of oil and gas, part of China's strategy involves connecting its prodigious demand with Russian and Central Asian

supply through the Belt and Road Initiative (BRI).³⁰ But because China's oil refining centers are situated along the coast,³¹ pipelines from Russia and Central Asia remain of peripheral value, supplying just 7 percent of imports in 2020.³²

The PRC, however, seeks more than energy security via market means, it aims to reduce its oil and gas trade imbalance by augmenting energy production within China and by Chinese firms abroad. The goal of increasing energy self-sufficiency is, of course, not unique, but the political program of Xi Jinping, who has pulled back from his predecessors' flirtations with global market liberalism, has in China's case intensified it. As articulated through the dual-circulation doctrine, the PRC now seeks a greater measure of economic self-sufficiency.³³

Increasing China's oil and gas production is essential to this goal and Xi issued a directive in 2018 to that end.

Erica Downs, Senior Research Scholar at Columbia University's Center on Global Energy Policy, summarized the strategic shift thusly the following year:

“Xi instructed China's [national oil companies] to ramp up domestic exploration and production of oil and natural gas to enhance national energy security in July 2018. Xi's directive is consistent with his championing of self-reliance in response to the US-China trade war. The trigger for Xi's embrace of self-reliance was the US Department of Commerce's imposition in April 2018 of an export ban to China's telecommunications equipment manufacturer ZTE that threatened the Chinese national champion's survival. Although the Department of Commerce lifted the ban in July 2018, the incident underscored for Beijing the risks of relying on imports, especially from the United States, for critical inputs into the Chinese economy.”³⁴

Since the Xi directive, the state-owned national oil companies (NOCs) PetroChina, Sinopec, and China National Offshore Oil Corporation (CNOOC) have constructed thousands of new oil and gas wells in Xinjiang, Sichuan, and in the contested offshore areas of the South China Sea.

Material support for the objective came in 2019 in the form of a new subsidy extended to the development of technically-challenging tight natural gas.³⁵ That year, the aforementioned NOCs increased upstream spending by a combined 23 percent.³⁶ Annual natural gas production is now close to 200 billion cubic meters, satisfying about 58 percent of China's demand.³⁷ In a paradoxical hint at the urgency with which Beijing views the challenge of overcoming critical-input import reliance, its push for more domestic oil and gas production includes an easing of rules governing foreign investment in exploration enterprises within China.³⁸

A December 2020 white paper from the PRC's State Council Information Office presents the country's strategy in clear terms.³⁹ Titled "Energy in China's New Era," the paper unabashedly promotes China's recent achievements in oil and gas production and explains its plan to procure more. The text of the paper, which can be found in English via China Daily,⁴⁰ contains numerous illustrative passages, including statements that:

- “China has intensified efforts for the exploration and exploitation of oil and gas resources, to increase reserve and production volumes.”
- “(China) also promotes the clean and efficient utilization of coal and the exploration and development of oil and gas, and works to increase reserves and production, so as to be more self-sufficient in oil and gas.”
- “Raising the level of oil exploration, development and processing. China has strengthened domestic oil exploration and development, furthering related institutional reforms and promoting scientific and technological R&D and the application of new technologies. It has intensified the exploration and development of low-grade resources, and increased crude oil reserves and production. It has developed advanced oil recovery technologies, increased the recovery ratio of crude oil, and ensured steady output at old oilfields in the east, including the Songliao and Bohai Bay basins. Focusing on the Xinjiang region and the Ordos Basin, it has increased the reserves and production of new oilfields in the west of the country. It has also strengthened offshore oil and gas exploration and development in the Bohai Sea, the East China Sea and the South China Sea, and are advancing deep-sea cooperation with other countries.”
- “China has implemented major scientific and technological initiatives and projects to achieve leapfrog development in key energy technologies. Focusing on its strategic industrial goals, China has rolled out a project on oil and gas technology whose emphasis is making breakthroughs in petroleum geology theory and key technologies for high-efficiency exploration and exploitation, as well as finding technology solutions to low-cost, high-efficiency exploitation of unconventional sources of energy, including shale oil, shale gas and gas hydrates.”

According to a September 2021 report from Rystad Energy, China’s NOCs are now expected to spend over \$120 billion on nearly 120,000 new wells by 2025.⁴¹

As the Xi directive and the subsequent white paper show, the PRC views oil and gas development as essential to its national security. And as the white paper implies, the pressure from Beijing to close the consumption-production gap provides the impetus for oil and gas development in the contested waters of the South China Sea.

South China Sea Centrality

The South China Sea, ringed by China, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Indonesia, Brunei, and the Philippines, is the most economically-vital waterway on planet.⁴²

Through the sea passes an estimated one-third of global maritime trade⁴³ and 30 percent of global oil shipments,⁴⁴ as crude tankers transit from the Indian Ocean to the countries of Southeast and Northeast Asia—countries which generate more than 43 percent of global import demand.⁴⁵ As of 2017, the South China Sea also ferried close to 40 percent of the global liquefied natural gas trade.⁴⁶

But the South China Sea is not only an artery for the energy trade, it is a beating oil and gas heart in its own right.

According to EIA, over 10 billion barrels of oil and nearly 200 trillion cubic feet of natural gas in proved and probable reserves rest beneath it.⁴⁷ The U.S. Geological Survey suspects those numbers sell the totals short by half.⁴⁸ For what it is worth, China estimates that the totals are an order of magnitude higher.⁴⁹

As the Asia Maritime Transparency Initiative (AMTI) at the Center for Strategic and International Studies in Washington describes, those fields “lie along the margins of the South China Sea rather than under disputed islets and reefs.”⁵⁰ Put another way, the resources are arranged along the ring of territorial waters and Exclusive Economic Zones (EEZs) belonging according to international law to the various littoral states. Ergo, these resources are mostly beyond Beijing’s legal reach, unless it is willing to subvert the global rules-based order and encroach upon the sovereignty of its Southeast Asian neighbors.

In no uncertain terms, it is.

Since 2014, two years into Xi Jinping’s tenure atop the PRC hierarchy, China has waged a relentless, intensifying campaign to assert its control over the South China Sea as far as the “nine-dash line” it insists constitutes is sovereign offshore area.

The line encroaches upon the internationally-recognized EEZs of Vietnam, the Philippines, Malaysia, and Indonesia. Each of the aforementioned countries regularly finds its fishing and energy industries under harassment from Chinese entities, both formal⁵¹ and informal,⁵² while also finding Chinese entities pursuing fishing and energy activities of their own to the boundaries of the nine-dash line.

PRC officials assert historical claims to the line’s perimeter, associating its full extent with Xi’s Chinese Dream—that the country will claim global primacy by eliminating the territorial vestiges of its “century of humiliation.”⁵³ But as Pamela Kyle Crossley, Dartmouth professor of history and leading Qing Era scholar, wrote for *Foreign Policy* in 2019, “Tellingly, the most intense applications of these principles have occurred in relation to various areas of the South China Sea—and the sea is the one place where claims of historical Chinese rule can never be proved or even reasonably inferred.”⁵⁴

In the South China Sea, the PRC links the erstwhile priority of getting rich with the emergent priority of getting strong. Enforcing the nine-dash line extends China’s ability to procure resources, denies access to competitors, and declares what it considers its rightful place at the center of regional affairs.⁵⁵

Lest we fall into the trap of identifying South China Sea expansion as the policy of Xi alone, researcher Andrew Chubb argued in 2019, “(n)ew strands of coercive policy in China’s maritime disputes in the Xi era have been surprisingly rare, and most of the PRC’s coercive activities since Xi took power have continued Hu-era patterns of behavior,” citing oil operations in 2006, 2007,

and 2010 that precipitated maritime clashes with Vietnam, if on a smaller scale than would occur in the Xi era.⁵⁶

China's conflicts with the Philippines, Malaysia, and Vietnam vary in their particulars, but reflect the identical theme of PRC disregard for international law and the sovereignty of its maritime neighbors.

Philippines Fishing Conflicts

The Philippines, a U.S. treaty ally, has for decades bristled at Chinese escapades into its EEZ. While oil and gas rights have regularly caused tension, fishing rights are most noteworthy in this case.

As with oil for passenger vehicles, China's wealth-building has generated massive new demand for protein. According to a 2013 World Bank report, China's per capita fish consumption grew at an annual rate of 6 percent between 1990 and 2010, to 33.1 kilograms.⁵⁷ By 2030, China will account for 38 percent of the world's fish consumption, the report projects.

Increasingly, Chinese boats are motoring to the fisheries at the eastern fringes of the nine-dash line to satisfy that demand—fisheries upon which much of the Philippine diet is based.

In 2013, the Philippines brought a case against China before the Permanent Court of Arbitration in the Hague pursuant to the United Nations Convention on the Law of the Sea (UNCLOS), an agreement to which the Philippines and China are both parties. The tribunal decided the case in 2016 in the Philippines' favor, and delivered a landmark rebuke against China, declaring:

“Accordingly, the Tribunal concluded that, to the extent China had historic rights to resources in the waters of the South China Sea, such rights were extinguished to the extent they were incompatible with the exclusive economic zones provided for in the Convention. The Tribunal also noted that, although Chinese navigators and fishermen, as well as those of other States, had historically made use of the islands in the South China Sea, there was no evidence that China had historically exercised exclusive control over the waters or their resources. The Tribunal concluded that there was no legal basis for China to claim historic rights to resources within the sea areas falling within the ‘nine-dash line’.”⁵⁸

But the PRC has reformed its behavior little since.⁵⁹ In 2021, Chinese harassment of Philippine fishers has been as flagrant as ever, with a fleet of nearly 300 Chinese boats entering the Philippine EEZ in May.⁶⁰ According to Ryan D. Martinson and Andrew S. Erickson, researchers at the U.S. Naval War College's China Maritime Studies Institute, some of the nearly 300 vessels are operated under the command of the PRC's People's Armed Forces Maritime Militia.⁶¹

Protein, like petroleum, is a resource China is willing to flout international law to procure. Its behavior on this front establishes a template of harassment and provocation from which it operates against each of its regional counterparts.

Malaysia Oil and Gas Conflicts

The island of Borneo, which Malaysia, Indonesia, and Brunei share, constitutes the South China Sea's southern boundary. Malaysia's western portion of the island, the state of Sarawak, contains significant oil and gas resources in its offshore area.

According to AMTI, beginning in early June 2021, China Coast Guard vessels and People's Liberation Army aircraft have been hampering new Malaysian offshore oil and gas development in the Kasawari and NC3 fields.⁶² This is at least the third time in a year and a half that the China Coast Guard has harassed Malaysian energy exploration. As AMTI states, "It demonstrates again Beijing's persistence in challenging its neighbors' oil and gas activities within their own exclusive economic zones. And the air patrol, which was likely not a coincidence, suggests Beijing's willingness to engage in parallel escalation to pressure other claimants to back down."

While just 44 nautical miles from the Malaysian coast, the fields in question are over 800 nautical miles from China's southernmost province, Hainan.

Indonesia, for its part, has faced similar challenges, with a 3,400-ton Chinese geological survey vessel, the Haiyang Dizhi 10, prowling the Indonesian EEZ as recently as October 2021.⁶³

Vietnam Oil and Gas Conflicts

The most intractable of the conflicts is between Vietnam and China over oil and gas.

After decades of hot and cold hostility, Vietnam and the PRC entered a period of diplomatic rapprochement in 1991. For the next twenty years the relationship was cooperative, including in oil and gas exploration in the South China Sea. That changed in May 2014 when CNOOC directed a rig—the Haiyang Shiyu 981 (HYSY 981)—and three service ships into the Vietnamese EEZ to drill exploratory wells.

According to AMTI, CNOOC positioned HYSY 981 60 nautical miles closer to Vietnam than to Hainan, 30 nautical miles beyond the median line used as a general rule when two EEZs could overlap, as in this case.⁶⁴

The day after HYSY 981 arrived, six Vietnamese boats confronted the operation. Forty additional Chinese vessels, including both nominal fishing boats and acknowledged China Coast Guard vessels, then joined the fray and established a defensive formation, at which point Vietnamese boats initiated ramming maneuvers.

In the following days dozens of vessels from both sides descended on the contested area with HYSY 981 successfully drilling despite the Vietnamese counteraction. According to a press release from Vietnam's foreign ministry, China deployed more than 100 vessels at the height of the standoff, including frigates, fast-attack missile craft, anti-submarine patrol ships, and amphibious landing craft organized in three concentric rings, and mobilized helicopters, early warning planes, reconnaissance planes, and fighter jets.⁶⁵

Amid the news, Obama administration State Department Spokesperson Jen Psaki said, “China’s decision to introduce an oil rig accompanied by numerous government vessels for the first time in waters disputed with Vietnam is provocative and raises tensions. This unilateral action appears to be part of a broader pattern of Chinese behavior to advance its claims over disputed territory in a manner that undermines peace and stability in the region.”⁶⁶

In Vietnam proper, the popular backlash against the incursion was dramatic with rioters torching businesses perceived to be Chinese-owned and killing 21 individuals.⁶⁷ Matching the popular outrage, the stance of the Vietnamese government was unrelenting: it opposed China’s action and would continue to confront the operation through the month of May. In addition to Vietnam circulating documents voicing its opposition at the United Nations and at an Association of Southeast Asian Nations (ASEAN) summit, Defense Minister Phung Quang Thanh threatened to take legal action along the lines of the protest lodged by the Philippines the prior year that would eventuate in the 2016 UNCLOS ruling.⁶⁸

Three weeks after the positioning of HYSY 981, Chinese tugboats withdrew the rig to China’s undisputed waters in what AMTI calls “perhaps the clearest case of a major coercive failure for Beijing.”⁶⁹

The standoff and its aftershocks prompted Council on Foreign Relations Senior Fellow for Southeast Asia Joshua Kurlantzick to write in 2015 that the offshore disputes could catalyze outright military confrontation between the two states.⁷⁰

In the ensuing six years, no bona fide battles have transpired, but risky encounters have continued. In May 2019, the China Coast Guard hounded Vietnamese offshore support vessels servicing a drilling rig near Vietnam’s southern coast, leading to another high-stakes maritime standoff. Cooler heads prevailed, but with each additional confrontation Vietnam and China add new tripwires that could precipitate a regional military clash, says Oriana Skylar Mastro, Resident Scholar at the American Enterprise Institute.⁷¹

China has continued its militarization of the Paracel and Spratly Islands and has now created two new governance districts upon them in “an attempt to strengthen its claims in the South China Sea by projecting an image of administrative control,” describes Mastro of one such tripwire. In response to Beijing’s aggression, Hanoi has dispatched its own maritime militias and fortified *its* positions in the Spratly Islands.⁷²

“Since the oil rig standoff,” wrote Lye Liang Fook and Ha Hoang Hop in 2018 for the ISEAS-Yusof Ishak Institute in Singapore, “Vietnam has made a concerted effort to strengthen its defense ties and partnerships with other foreign powers such as the United States, Australia, Japan and India. At the same time, Vietnam has positioned these engagements as part of its omnidirectional foreign policy to avoid an overreaction from China.”⁷³ Simultaneously, Vietnam has bolstered its commercial relationships with countries other than China, most notably, Japan.

Japanese investments in Vietnamese infrastructure projects now dwarf those from China at more than \$100 billion to under \$30 billion.⁷⁴ In fact, despite China’s BRI, Japan’s investment total bests China’s by 40 percent across the six largest Southeast Asian economies.⁷⁵

These investments are consonant with Japan's strategy linking its geopolitical priorities with its economic priorities through its public-private Partnership for Quality Infrastructure (PQI). PQI has not drawn the attention of China's BRI, but as China is using infrastructure to pull states to its orbit, Japan is leveraging what it considers its advantage in quality to advance its objective of a free and open South China Sea.

Now spurning partnerships with Chinese firms, Vietnamese state-owned energy company PetroVietnam is partnering with Singaporean, Spanish, Russian, and Japanese firms to explore within its EEZ. The drilling rights sold to Japan's Inpex are of particular note. Vietnam defense expert Carl Thayer told the South China Morning Post that Japan would consider dispatching its coast guard and naval forces to the South China Sea to protect Inpex's operations, should they be threatened by Chinese forces, a contingency Thayer suggests would not be displeasing to Vietnam.⁷⁶

South China Sea Geopolitics

The PRC strategic and resource posture in the South China Sea elicited vocal opposition from the Trump administration throughout its four-year term, punctuated by a July 2020 statement from Secretary of State Mike Pompeo in which he argued the PRC has "no legal grounds to unilaterally impose its will on the region." Adding that, "(a)ny PRC action to harass other states' fishing or hydrocarbon development in these waters—or to carry out such activities unilaterally—is unlawful," and that, "(t)he world will not allow Beijing to treat the South China Sea as its maritime empire."⁷⁷ That pronouncement followed a key clarification Pompeo made in 2019, when he stated "[a]s the South China Sea is part of the Pacific, any armed attack on Philippine forces, aircraft or public vessels in the South China Sea would trigger mutual defense obligations under Article IV of our Mutual Defense Treaty."⁷⁸

Matching its words with deeds, the Trump administration added CNOOC to the Bureau of Industry and Security's Entity List,⁷⁹ which limits U.S. economic interactions with foreign actors deemed to threaten the national security and foreign policy interests of the U.S.

The Biden administration has carried forward this position. In June 2021 the administration further tightened restrictions pertaining to CNOOC. The following month Secretary of State Antony Blinken echoed Pompeo's moral sentiment, maintaining that "nowhere is the rules-based order under greater threat than in the South China Sea,"⁸⁰ and reaffirmed that "an armed attack on Philippine armed forces, public vessels, or aircraft in the South China Sea would invoke U.S. mutual defense commitments under Article IV of the 1951 U.S.-Philippines Mutual Defense Treaty."⁸¹

While meaningful, China's use of gray zone tactics complicates the American application of this stated intention.⁸² Just as vexingly for U.S. strategists, China's expansionary policy is not met with unified and consistent opposition from the littoral states themselves.

Having been intermittently occupied by China for ten centuries and having fought a war against it more recently than it did against the United States, Vietnam displays heightened sensitivity to and maintains firm opposition against China's expansionary maritime incursions.

But the Philippines and Malaysia have often taken a more conciliatory tack of late.

Under President Rodrigo Duterte, in office since 2016, the Philippines has veered away from its traditional partnership with the U.S. This shift has been partly in response to the U.S. condemnation of Duterte's ruthless anti-drug campaign, but the Philippines' own political and strategic calculus cannot be discounted.

Duterte, who memorably told voters he would jet-ski through contested waters waving the national flag to ward off China's incursions, later told an audience at Beijing's Great Hall of the People, "In this venue I announce my separation from the United States," and that he had "realigned [him]self in your ideological flow."⁸³ In early 2020, he announced a termination of the U.S.-Philippines Visiting Forces Agreement.⁸⁴ Though he now warns Beijing that drilling for oil in Philippine waters would trigger a retaliatory use of force,⁸⁵ Duterte has a track record of fickleness.

Recent indicators that go beyond Duterte, however, do suggest a firm line is gaining momentum. In 2021, the Philippines has utilized a variety of creative deterrence and de-escalation tools against Chinese maritime incursions, like deploying female Philippine Coast Guard radio operators in contested waters,⁸⁶ and it has officially restored its Visiting Forces Agreement with the U.S.⁸⁷ In May 2021, Philippine Secretary of Foreign Affairs Teddy Locsin tweeted an expletive-laced message to the PRC over the presence of its vessels in the Philippines' EEZ.

But with the country set to inaugurate a new president in 2022, the future of the Philippines' stance on China remains cloudy.

Malaysia's relationship with the PRC has likewise been one of ambivalence. Malaysia, with coasts on both the Andaman and South China Seas, is something of an Indo-Pacific hinge. Unsurprisingly, it is the largest recipient of BRI-financing in Southeast Asia, and the second-largest globally,⁸⁸ with one project, the East Coast Rail Link, valued at more than \$10 billion.⁸⁹ China is the leading source of foreign direct investment for Malaysian manufacturing.⁹⁰

According to regional observer Sebastian Strangio, South China Sea disputes have yet to become a cultural flashpoint in Malaysia.⁹¹ Moreover, Malaysians have a far more favorable impression of China than do citizens of Vietnam or the Philippines. In 2015 Pew Research reported that 78 percent of Malaysians viewed China favorably,⁹² compared with 19 percent of Vietnamese in the same year and just 10 percent of Vietnamese in 2017.⁹³ China's favorability in the Philippines fell in the same methodology from 55 percent in 2017 to 42 percent in 2019.⁹⁴ While in the ISEAS-Yusof Ishak Institute's 2019 State of Southeast Asia report, 60.7 percent of Vietnamese respondents and 66.4 percent of Philippine respondents agreed with the proposition "China will become a revisionist power with an intent to turn Southeast Asia into its sphere of influence," only 42.7 percent of Malaysian respondents agreed. While in the ISEAS-Yusof Ishak Institute's 2019 The State of Southeast Asia report, 60.7 percent of Vietnamese respondents and 66.4 percent of Philippine respondents agreed with the proposition "China will become a revisionist power with

an intent to turn Southeast Asia into its sphere of influence," only 42.7 percent of Malaysian respondents agreed.⁹⁵

Though a souring of public opinion on China and the BRI was a key factor in Mahathir Mohamad's return to the post of Prime Minister in 2018, he subsequently warmed to the partnerships and resumed work on the East Coast Rail Link.⁹⁶

In an example of the kind of win-win partnership Malaysia hopes to salvage with China, Malaysian national oil company Petronas signed a \$7 billion agreement to export natural gas to CNOOC in July 2021. In announcing the deal, Petronas said it was "proud to strengthen our decade long relationship with CNOOC through this long-term LNG supply."⁹⁷

In October 2021, however, the Malaysian Ministry of Foreign Affairs summoned the PRC's ambassador in Kuala Lumpur to convey its opposition to the presence of PRC survey vessels off its coasts.⁹⁸ But while Ngeow Chow Bing, director of the Institute of China Studies at the University of Malaya, warned in July 2021 that the high stakes of littoral oil and gas competition between Malaysia and China threaten "to unravel the narrative of friendship if either side fails to deal with it carefully,"⁹⁹ Malaysian, Indonesian, and Philippine unpredictability leaves Vietnam on a proverbial island at this time.

As Huong Le Thu, senior analyst at the Australian Strategic Policy Institute, wrote in September 2020, "Vietnam remains the most eager to pursue and advocate for its claims and serve as an active voice of regional dispute dialogues. In the wake of China's growing confidence, assertiveness, and even aggressiveness, Hanoi has come perilously close to becoming a lone bastion contradicting Beijing's expansion."¹⁰⁰

Of course, China's conduct in the contested waters of Southeast Asia has not been its only recent international norm transgression. China's expansionary South China Sea policy has coincided with its heightened bellicosity towards Taiwan, its exertion of authority over Hong Kong in contravention of the Sino-British Joint Declaration, its violent clashes with India in the Himalayas, and its sorties around the islands Japan calls the Senkakus.

But whereas such behavior has galvanized the U.S., Japan, India, Australia, and the United Kingdom to coordinate under the banners of the Quad and AUKUS to defend the shared interest of a free and open Indo-Pacific, most of the states closest to China have hesitated.

While they have much to lose from China's aggressive energy pursuits, Vietnam, Malaysia, Indonesia, and the Philippines also face the traditional pressures that compel smaller states to ride with, or at least not against, the regional hegemon. Recognition of these realities should inform U.S. expectations.

As the 2019 ASEAN Outlook on the Indo-Pacific indicates, the region's ten countries share a vision of an ASEAN-centered regional architecture, rather than one with the U.S. or China as the foundation.¹⁰¹ In August 2021 the Biden administration applauded the Outlook's principles of "inclusivity, openness, and a region based on rule of law, good governance, and respect for

international law, including the 1982 UN Convention on the Law of the Sea”—principles it says are “mirrored in the U.S. vision for a free and open Indo-Pacific.”¹⁰²

Oil, Gas, and Security Remain Linked

The PRC’s resource pursuits in the South China Sea reflect the importance Beijing places on a stable oil and gas supply to the country’s economy and national security and they link its erstwhile priority of building prosperity with its rising priority of building strength. China’s demand, import, and production trends indicate that the importance of oil and gas will not recede any time soon.

Further, the PRC’s actions demonstrate its willingness to ignore international standards, even when it has signed on to them. Its stated policies, economic indicators, and recent actions cast doubt on its commitments to emissions reductions, including both its Paris Agreement intended nationally determined contribution¹⁰³ and Xi Jinping’s 2060 carbon neutrality pledge.¹⁰⁴

China’s assertive development of resources to which it does and does not have legal claims contrasts with President Joe Biden’s turn away from oil and gas. While the president has maintained much of the foreign policy of his predecessor, he has forsaken the Trump-era utilization of American oil and gas resources to support geopolitical objectives.

Notwithstanding National Security Adviser Jake Sullivan’s August 2021 plea for OPEC+ to put more oil onto the global market,¹⁰⁵ climate politics has prompted the Biden administration to constrain U.S. oil and gas activity by pausing new leases in federal territory, cancelling pipelines, and suspending drilling in the 1002 area of Alaska’s Arctic Coast.¹⁰⁶

It ought to be understood that China—the world’s largest greenhouse gas emitter and a state that President Biden has called “our most serious competitor”—has no such intention.¹⁰⁷ China is crossing the boundaries of international law to claim as much oil and gas as it can. While U.S. politics might give the impression the world is singularly focused on winning the wind, solar, and battery race, China is shoring up its critical interest in oil and gas.

When in 1999 Sergei Trough wrote with prescience of China’s impending oil import vulnerability, he failed remarkably in another forecast. “There are many reasons to believe,” he averred, “that China’s growing involvement in the world energy market, and its participation in energy transportation networks—no matter what form the final geopolitical solutions and transportation trajectories may take—will likely stabilize and moderate Chinese foreign policy.”

As its conduct in the South China Sea illuminates, Xi’s China is not the responsible stakeholder in global and regional affairs that Trough and others expected it to be. Rather, China today is a state reminiscent of the great powers of yore, potent, yet vulnerable, and willing to use its might to secure the fossil energy resources that anchor its economy.

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