

GLOBAL HOT TOPICS

The Hague Ruling is set to escalate tensions and later negotiations

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On July 12th The Hague's Permanent Court of Arbitration (PCA) announced its ruling on the territory dispute submitted by Philippines, which in essence rebukes almost all the China's claims in the South China Sea. Beijing immediately rejected the ruling of the PCA and vowed to protect its historic and economic rights in its claimed water. We expect that the ruling could lead to the escalation of tensions at sea in the short term as China is set to assert its control and repudiate the ruling. In the end, the dispute needs to be solved at the negotiating table.

The ruling is in favor of Philippines

China vs Philippines: The Arbitration Outcome
Source: CSIS, Asia Maritime Transparency Initiative



The ruling by the international tribunal rejected China's historic rights in all the waters within the "nine-dash" line, which is used by Beijing to delineate its territory claims. Moreover, the tribunal said that **China isn't entitled to an exclusive economic zone, or EET, extending up to 200 nautical miles from any outcrop in the Spratly Islands and that China's building of artificial islands violate Philippines' sovereignty**. In sum, **the ruling is a blow to China's legal basis to claim its historic and economic rights in the vast South China Sea**, which has caused Philippines, and a few other neighboring countries having similar disputes with China to celebrate their victory. However, it is noted that there is no way for the PCA to enforce its ruling in the face of

China's rejection and Chinese Authorities have already manifested against the PCA ruling.

Escalating tensions is in sight for the short run

As pointed out in our prior to the ruling announcement last week [Global Hot Topic:South China Sea Tensions escalate](#), China is set to become more assertiveness in the face of an unpalatable outcome. **One likely reaction is that China can re-start the building of artificial islands in the disputed waters, which were suspended by mounting international pressure, to show their defiance to the tribunal's ruling.** They may also increase the frequency of navy patrolling in the disputed waters. These assertive actions could incur the escalation of US interference in the disputed territory although Washington claims to take no side on sovereignty issues of the islands in the South China Sea.

The way lying ahead

In the end, both sides need to realize that the solution for territory dispute should come from the negotiating table rather than confrontations at sea. In this respect, President Duterte of Philippines had already released certain goodwill prior to the ruling. **In China's statement of rejecting the ruling, the government as well called on Philippines and neighboring countries with similar territory disputes (see table) to start bilateral negotiations with China.** Nevertheless, the way lying ahead is set to be very bumpy. Both governments should avoid being hijacked by domestically rising nationalism. Moreover, all the sides at stake need to reduce the risk of misfiring in the prospective confrontations at sea. **We reckon that the fourth quarter of this year could open an ideal time window for Philippines and China to start their bilateral negotiation when the upcoming US president election could reduce US interventions in the region.**

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