



# It Takes Two to Tango

## Conditions for Joint Development in the South China Sea

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## **It Takes Two to Tango: Conditions for Joint Development in the South China Sea**

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### **KEY TAKEAWAYS**

- *Joint development between China and the Philippines is likely to work under two conditions: (i) when both the Philippines and China agree to compartmentalise joint development and their respective security concerns; and (ii) the extent to which the Philippines' leadership and legal framework enable joint development.*
- *Much of the discussion focuses on trust as a pre-requisite for joint development, but pays little attention to how it is expressed in practice, specifically the ability to compartmentalise disputes arising from cooperation.*
- *China's role in joint development, while important, can only go so far, as much also depends on the Philippines' domestic leadership and legal constraints.*

### **COMMENTARY**

On 28 March 2026, China's former Vice Foreign Minister Sun Weidong and Leo Herrera-Lim, undersecretary for Foreign Affairs of the Philippines, met in Quanzhou, Fujian, for the [11th round of the China-Philippines Bilateral Consultation Mechanism on the South China Sea](#) (BCM). It marked the first time in three years that China and the Philippines had convened to discuss their outstanding disputes, following tensions at the Scarborough Shoal in 2023.

The most salient issue discussed was [promoting joint energy development](#) in the South China Sea. The Philippines' push for joint energy development reflects its efforts to [alleviate its energy crisis](#) triggered by surging oil prices following oil supply disruptions in the Strait of Hormuz. For China, discussions on joint development have been the [preferred diplomatic strategy](#) for managing disputes in the South China Sea

since the 1980s. Such developments raise an important question: under what conditions can joint development between China and the Philippines work in the South China Sea?



The Philippines' push for joint energy development reflects efforts to alleviate its energy crisis.  
*Image source: Wikimedia Commons.*

Joint development is likely to work under two conditions: (i) when both the Philippines and China agree to compartmentalise joint development and their respective security concerns; and (ii) the extent to which the Philippines' leadership and legal framework enable joint development. First, the Philippines has sought to compartmentalise joint development from its security challenges with China, whereas China links the prospects of joint development to broader security concerns. However, such divergent views can create mismatched expectations, making it difficult for both sides to reach an agreement on joint development. Second, changes in the Philippines' domestic political environment can drive shifts in foreign policy that may either facilitate or hinder joint development.

### **Degree of Compartmentalisation**

Compartmentalisation is often understood as a strategy to separate two issues to prevent problems from one aspect of the relationship affecting another, thereby helping maintain stable relations amidst tensions. However, the effectiveness of compartmentalisation often depends on whether both sides share similar approaches to separating disputes and other facets of the relationship.

In the case of China-Philippines territorial disputes, both countries have conflicting views on compartmentalising joint development and security concerns, thereby complicating the prospects for joint development.

During the recent BCM, the Philippines has expressed its desire to [put aside territorial disputes and pursue joint energy development to address its current energy crisis](#). Oil currently forms [30% of the Philippines' energy mix](#), and it [imports more than 90% of its oil from the Middle East](#). However, the closure of the Strait of Hormuz has led to an energy crisis in the Philippines, prompting it to look to the South China Sea as an alternative source of energy.

According to a [US Energy Information Administration report](#), the South China Sea is estimated to hold [11 billion barrels of oil](#), sufficient to ensure the Philippines' energy self-sufficiency. Nevertheless, the ongoing territorial dispute with China makes it

difficult to unlock these resources. By compartmentalising territorial disputes from joint development, the Philippines seeks to improve relations with China and access the vast oil resources in the South China Sea to address its energy crisis.

Conversely, China has linked joint energy development to its broader regional security concerns, particularly the Philippines' close security relations with the United States. For instance, in the recent China-Philippines BCM, Sun expressed appreciation for the Philippines' willingness to reset ties and pursue joint energy development. However, he urged the Philippines to take more "[concrete steps](#)" towards maintaining stable relations. This statement comes amid Beijing's continued [displeasure over the US government's missile deployments in Northern Luzon](#) and [Japan's commitment of combat troops](#) to the upcoming Balikatan Exercise, both of which China views as linked to a potential Taiwan contingency. Meanwhile, clashes between [Chinese and Filipino coast guards and fishermen](#) in the Scarborough Shoal have continued.

As such, from a Chinese perspective, the Philippines' moves to compartmentalise territorial disputes from joint development remain insufficient in addressing China's broader security concerns.

### **Leadership Priorities and Political Institutions**

Another important factor influencing the success of joint development lies in the priorities of the Philippine leadership and domestic legal constraints. Even if claimant states were willing to engage in joint development, changes in leadership can shift foreign policy priorities, which can either facilitate or hinder such efforts.

Under the Duterte administration, China perceived then-President Rodrigo Duterte as a more cooperative counterpart, in part due to the Philippines' strained relations with the United States during his tenure. During this period, Duterte and Chinese President Xi Jinping agreed to a "[60–40](#)" [oil-sharing arrangement](#), under which the Philippines and China would receive 60% and 40% of the oil revenue respectively, in exchange for a tacit commitment to de-escalate tensions.

However, the Philippines adopted a firmer stance on China following the [2023 Whitsun Reef Incident](#), where 135 Chinese vessels were found operating in the Philippines' Exclusive Economic Zone (EEZ). This incident occurred despite China and the Philippines signing the "60–40" oil sharing agreement and committing to de-escalate tensions. As such, Philippine President Ferdinand Marcos Jr vowed [not to concede any territory to China](#) and to [move away](#) from the previous oil-sharing arrangement.

Beyond changes in leadership, another major hurdle to joint development lies in domestic legal constraints within the Philippines. According to Article XII, Section II of the [Philippines' 1987 Constitution](#), the exploration, development, and utilisation of natural resources must remain under the full supervision of the Filipino state. This means that the government cannot cede control over resource exploitation to foreign entities in a way that undermines the Philippines' national sovereignty.

This legal constraint became evident in the case of the 2005 [Joint Marine Seismic Undertaking \(JMSU\)](#), a trilateral agreement between the national oil companies of China, the Philippines, and Vietnam to explore oil and gas in the South China Sea.

However, in 2023, the [Philippine Supreme Court ruled the JMSU unconstitutional](#), finding that it violated the constitutional requirement that the Filipino state retain full control and supervision over its natural resources.

Hence, an exclusive focus on China's actions overlooks the critical role of political leadership and legal constraints within the Philippines in shaping the prospects for joint development.

### **Future Implications**

The recent moves by China and the Philippines to address their disputes through the BCM provide both sides with an opportunity to de-escalate tensions. However, joint energy development between both states is unlikely to materialise in the near term due to differences in their compartmentalisation strategies and domestic leadership priorities.

Beyond the immediate dispute, the Philippine-China discussions provide several important lessons for joint development in the South China Sea. First, China holds significant leverage in bilateral negotiations in the South China Sea, and the prospect for joint development depends in part on China's perception of the claimant states' security ties with the United States. Second, China's influence in promoting joint development is also limited by the internal affairs of regional states, which can either facilitate or hinder joint development. Third, despite ongoing disputes, China remains open to negotiations to minimise tensions and ensure a stable regional environment conducive for its development.

Thus, absent sustained mutual commitment, joint development in the South China Sea is likely to remain more aspirational than achievable.

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