Remodeling of International Regimes in Neoliberal Institutionalism Perspective: Case Study of the South China Sea Arbitration

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Abstract. Among the various disputes in the South China Sea, the China-Philippines arbitration case embodies the legalization of international conflict resolution. However, after the ruling was issued, China viewed it as a “scrap of paper,” and the Philippines had no intention of restraining China through the ruling. International law is considered a “paper tiger” due to the lack of mandatory enforcement, and international regimes were once seen as dysfunctional and chaotic systems. Then both China and the Philippines put bilateral relations back on track through economic diplomacy and negotiations. It is clear that sovereignty is at the core of maintaining international law and regimes, but it does not mean that states can adopt the principle of “self-help”. How can international regimes be reshaped to be flexible and resilient, and how can a virtuous model of balances between state power and international regimes be achieved in future international conflict resolution? To answer these questions, this study will explore the possibility of transforming and reshaping international regimes, using neoliberal institutionalism as a logical starting point and complex interdependence theory as a model framework. International regimes are not a means for the weaker states to achieve their claims; achieving a win-win situation in economic and power reciprocity is the most direct way to resolve disputes over the South China Sea, and the resilience of international regimes is reflected by expanding from bilateral to multilateral models of shared governance in the South China Sea through alliance politics and economic diplomacy.

Keywords: Neoliberal Institutionalism; International regimes; Complex interdependence theory; South China Sea Arbitration; China-Philippines arbitration.

1. Introduction

The South China Sea dispute, which began in the 1960s and 1970s, can be divided into two main areas: firstly, the claimants in Southeast Asia, including Taiwan Province, the Philippines, Vietnam, Malaysia, and Brunei, have protested and challenged the “Nine-Dash Line” and China’s Claim to Historic Rights in the Maritime Areas of the South China Sea, i.e., the line of belonging to the islands in the South China Sea, which is a way of drawing the boundary of China’s rights and interests in the South China Sea. The South China Sea dispute also concerns the development and improvement of modern international maritime law, which has resulted in the delimitation of exclusive economic zones and continental shelves. The most contentious case in the South China Sea is the China-Philippines arbitration case.

The China-Philippines South China Sea dispute has evolved from an initial bilateral military confrontation to a legal settlement in which the behaviors of states are incompatible with the provisions of international law. The Philippines has attempted to restrain China’s development and expansion in the South China Sea through the decision-making process of international law and international organizations to curb the rise of this great power in East Asia. The Philippines, a small Southeast Asian country, emphasized that arbitration is the most peaceful and efficient solution to the relationship between China and the Philippines. The Chinese government, however, has repeatedly made solemn statements in response to the tribunal’s decision, claiming that the tribunal’s judgment regarding the “South China Sea dispute” is invalid and that it was the Philippine side who had initially broken the law. China has also stated its willingness to cooperate with the Philippine government to settle the South China Sea through trade and diplomacy. Rather than alleviating tensions, however, it has created other complex legal, political, and security issues.
The effectiveness of international regimes begins to disintegrate in the face of power politics, where sovereign states act as independent actors and one state tries to bind another with international law. However, in this case, China is considerably more powerful than the Philippines in numerous ways, both economically and militarily, and has strategic multilateral partnerships with many of its Southeast Asian neighbors. The imbalance of competing relationships between states has resulted in international regimes that are no longer compatible with the politics of great power, leading to the fragmentation of international law as it continues to be deconstructed by powerful states. It is fascinating to note that after the ruling was issued, the new Philippine president, Duterte, took a diplomatic turn and set aside the ruling to resume peaceful trade and economic relations with China. International regimes’ access to and the role became blurred [1].

Alexander Hamilton, Friedrich List, and Robert Gilpin were pioneers of international political economy who highlighted the importance of the state and the national interest as the overarching rule of international politics and economy (IPE). They have maintained that power and property are the best ways to resolve conflicts and that anarchy in international politics breeds fear and rivalry between states [1]. This is a tacit admission by conventional realism that the only viable solution to regional turmoil is military power. However, the arbitral tribunal used a combination of the equidistance line method, the angle bisector method, and other pertinent circumstances to delimit the disputed maritime areas between the two countries in the case of Bangladesh and Myanmar regarding the maritime delimitation between the two countries in the Bay of Bengal, reflecting the fairness of maritime delimitation [2]. The paradigm of “power politics” relies on the use of force between states to explain the outcome of the arbitration case. However, the South China Sea arbitration dispute between China and the Philippines was successfully settled by using economic diplomacy and trade assistance. Therefore, traditional realism cannot describe the current era of maritime legal governance in which legal means are progressively replacing military power.

This study will examine the effectiveness and balances of the different elements of the international regime in the case of South China Sea arbitration through the neo-liberal institutionalism of IPE as universal norms and provide a new explanatory path for the diplomatic behavior and cooperation mechanism of China and the Philippines after the arbitration. As the maritime order has transferred from a “state of nature” to a “state of law,” the reshaping of international regimes is sustainable for the maintenance of multilateral relations, and both unilateral arbitration and subsequent economic diplomacy demonstrate that it is increasing the number of options for resolving maritime disputes under international regimes.

2. Literature Review

At the beginning of the China-Philippines dispute in the South China Sea, both sides had chosen to use force to intimidate due to tensions or sovereignty dilemmas, and many scholars argue that China’s military counteraction in the South China Sea is motivated by what is best for its survival and is a strategic action of offensive realism. Some constructivist researchers point out that China’s actions in the South China Sea are based on national identity, history, and other social components. This is notably evident in remarks made by Chinese Foreign Ministry Minister Wang Yi, who highlighted that ‘China’s island-building in the region would not be turned back because if it did so, China will not be capable of facing its predecessors. China covers its actions as a workable national responsibility [3], while the Philippine side’s claim in the indictment is the EEZ’s jurisdiction and the continental shelf’s delimitation. Only a few scholars believe that the international regime can be summarized as “creative compliance” before the actions taken by the two countries, i.e., winning or losing the arbitration is not the only way to achieve a win-win situation, which can be seen in Duterte’s diplomatic statements that the Philippine government chose to The Philippine government has chosen to set aside the enforcement of the award in favor of diplomatic and trade resolution of the dispute. To counter the current view, which presents a strict theoretical paradigm dichotomy, describing the policymaking of state actors in the South China Sea disputes as either “forceful repression in total
violation of international law” or “following and focusing on the articulation of international regimes,” this chapter will review the international legal framework for the South China Sea disputes. To counter this strict distinction, this section reviews the literature on realist, constructivist, and neoliberal institutionalism in international political economy, integrating the resilient and flexible aspects of international regimes in the debate between different theoretical paradigms.

2.1 Processes of Traditional Theoretical Debates and the International Regimes

However powerful or weak states may be, they cannot forcibly modify the underlying logic of the functioning of international regimes. Just as international law is a product of state practice and states are motivated to follow it because there are tangible benefits to be derived from it, trade cooperation and international regimes are mutually reinforcing. The realist and liberal, neo-realist, and neo-liberal institutionalist debate camps judge the actors in the framework of an “ideal model” [4], where there is a clear benefit orientation in the political practice of international regimes. The effectiveness of the implementation of conventions is considerably enhanced by the mutual benefit of the actors, either bilaterally or multilaterally. Such feedback regimes exist in every theoretical paradigm, and the platform for comparison should be based on which is closer to reality.

Neorealist scholars believe that international organizations cannot prevent state actors from using force and that national power and military force are still the most effective ways to ensure the survival of their states. They view international regimes as a “suboptimal-optimal” instrument, a product of compromise created by states in anarchy to ensure security and maximize their interests [5]. The main factor in international war’s numerous and intricate problems in force.

The neo-liberal institutionalist school of thought, Joseph S. Nye, Jr, in Power and Interdependence, explains that “the perceived margin of security among pluralistic industrialized states has expanded: in general, their fear of attack has diminished, and fear of mutual attack has not become a priority for states,” in contrast to the neo-realist account of international regimes. Since World War II, significant countries have mostly avoided employing force in marine resource disputes with smaller states [3]. The British and American navies failed attempts between 1957 and 1967 to violate Egypt’s freedom of navigation over Israel’s unrestricted transit through the Straits of Tiran. Neoliberal institutionalism, therefore, views the use of force to maintain the freedom of navigation as limiting.

In terms of today’s world order, in the neo-liberal institutionalist narrative, international regimes allocate resources in agenda-setting and devolve actors from state subjects to international organizations, economic diplomacy, and trade cooperation. At the heart of the neo-realist school is the maximization of power through power politics in the agenda-setting of international institutions. However, settling disputes by force, whether in the legal or monetary sphere of the sea, is untenable in the current world order.

Which factors state actors prioritize when international conflicts arise is the main point of contention in the debate between neoliberal institutionalists and neorealists regarding the use of force by powerful states and international regimes. A consensus has been reached that international regimes offer unique advantages that military sanctions cannot.

2.2 The Elasticity of International Regimes Ahead of Great Power Politics

John G. Ruggie, as a pioneer, defined international regimes as “those explicit and implicit principles, norms, and procedures that guide international behavior” [6]. In the subsequent development, international regimes have blended the strengths of the two dominant theoretical paradigms of realism and liberalism. They have gradually matured in the debate between neo-liberal institutionalism and neo-realism. Only a limited number of scholars consider international regimes to be illusory, and the vast majority of scholars agree that no rule or convention is perfect and that international regimes do not construct a peaceful and thriving utopia for the international community but are resilient when they provide opportunities for state actors to amend and regulate in practice.

In Joseph Nye’s hypothesis, he argues that “the political cost of the use of force by large states to deny the territorial sea expansion and sovereignty claims of minor states is comparatively low; instead,
minor states frequently use force to help expand exclusive maritime EEZs and jurisdictions.” A total of 69 British fishing vessels were severely damaged during the Cold War when Icelandic ships and fishing vessels evicted foreign fishing vessels by cutting nets and shelling ships. The British government was so annoyed that it sent seven of its main warships to intimidate Iceland. However, Britain was also under pressure to mediate with the European Community and had to recognize Iceland’s 200 nautical miles exclusive economic zone to avoid conflict. Far from being overwhelmed by power politics, Iceland has even rewritten the game rules for the world’s oceans. On the contrary, the UK was under the moral pressure of rebellion in the huge international regime of the EU. Finally, it was challenging to maintain it by force and power [3]. It can be seen that the current actual situation in the field of international conflicts is between neoliberal institutionalism and realism, where power and international regimes can coexist and check each other. However, the force is not a permanent means of the solution because of the emergence of new types of actors, such as transnational corporations, multilateral alliance cooperation regimes, and the improvement of the law of the sea. Today, when the force factor is diminished, the assertion of power requires the intervention of international regimes, mainly when applied to its flexible side, to contain the non-rational political claims of state actors and to enable them to decide on a win-win situation through trade and economic diplomacy.

3. Complex Interdependence Theory as a Conceptual Framework

3.1 Capturing the Theoretical Focus of International Regimes

A review of the literature reveals that international organizations and other new actors are shaping international regimes to weaken the use of force in power politics. As a result, the state is no longer the only actor in the system of international politics, international organizations mediate conflicts and exert pressure on strong states, force is no longer a useful tool for policymaking, and survival and security are no longer the primary concerns. Based on the following three main factors listed below, this study will use the neo-liberal institutionalist theory of complex interdependence as its conceptual framework.

First, multi-channel links between the international community are not limited to among national actors but also through international organizations and multinational corporations, creating unofficial transnational relationships. For instance, international fisheries organizations, such as the International Whaling Commission, the Commission for the Conservation of Antarctic Marine Living Resources, and the International Commission for the Conservation of Atlantic Tunas, have established several bylaws for resource sharing and utilization in marine fisheries. The condition of the monopoly of fishery resources by major countries with extensive fisheries resources and strong oceanic countries has changed as a result of regional legal standards and international conventions [4].

Second, the complex interdependence theory assumes that there is no hierarchy of affairs or conflicts between states and that military force only plays a minimal role. The difference in the order of importance of the concerns shows that the neo-liberal institutionalist approach to the international system is grounded in reality rather than total idealization. On the one hand, it acknowledges that governments would use force owing to the urgency of the war but that military martial law and a state of counter-offensive will not persist for long and will ultimately return the area to a stable state through diplomatic channels or multilateral discussions.

On this basis, the complex interdependence model prevented alliance politics from developing into hollow shell organizations covered in politics. Following the rehabilitation of ties between the United States and China in the 1990s, the Indo-Soviet Friendship Treaty was signed. Because China felt less threatened by the U.S. at the time, China and the U.S. were able to cooperate more closely despite Indian and Soviet political perspectives. Kissinger assured the Indian envoy that “no matter how excellent our ties with China are, they would not harm India” to organize the balance in the alliance system. Kissinger believed that opening up to China would give the United States leverage over the
Soviet Union. It is clear that alliance politics is part of the international regimes and is reflected in the conclusion and implementation of conventions [4].

The complex interdependence model skillfully connects domestic policies with international alliances such as the OECD, IMF, GATT, and the European Community, which have clear orientations for the domestic policies of different national actors. The nine branches of the U.S. federal government and many other agencies form a network of power relations that correspond to their different roles in international affairs and missions. This model creates more room for maneuvering in the agenda-setting of international regimes, thereby reducing the hysteresis in the process of regional political development caused by pre-conflict provocations of force.

3.2 Choice and Significance of Research Methodologies

In this study, case analysis and formal theoretical models will be used as research methods to analyze the various aspects of the international regime involved in the China-Philippines South China Sea arbitration case, as well as to assume the current form of maritime legal rights and the fundamental principles underlying the operation of the foreseeable international regime. The study makes an effort to investigate how the involvement of various international organizations in the case has affected the course of events in the South China Sea and to provide an explanation for the flaws and gaps in the international system by highlighting the behavior choices and perverse diplomatic practices of the Chinese and Philippine governments. Under the complex interdependence model, sovereign states and international procedures jointly allocate resources and property rather than physical force in international disputes. Trade and collaboration are the best ways to unlock the model.

4. Case Study Analysis

4.1 The Remodeling of International Regimes: Final Interpretation of the Conflict

Both countries launched military countermeasures in the early stages of the China-Philippines dispute in the South China Sea. It is undeniable that China and the Philippines have stronger militaries. According to offensive realists, China’s stepped-up island-related construction, increased naval patrols, and the planting of Chinese flags in isolated parts of the South China Sea are all part of Beijing’s plan to expand and harvest resources in preparation for the day when it can establish regional hegemony [3]. The violent rhetoric of offensive realism is weakened when disputes are arbitrated or legalized, and it could be seen from the objective facts that even if China’s “nine-dashed line” claim and historical ownership were rejected by the Permanent Court of Arbitration in The Hague, it did not lead to massive unrest in the South China Sea.

When the Philippines decides to enforce mandatory arbitration against China, the topic of regional security will be set aside by both sides, which will transform into a debate on public diplomacy and cooperation in bilateral trade [7]. Offensive realism cannot analyze the reasons for the turn of events in terms of power structures and the nature of interdependence between China and the Philippines. Following the announcement of the ruling, Philippine President Rodrigo Duterte expressed his willingness to put the implementation of the ruling on hold to avoid escalating tensions in the South China Sea. The case was followed by his visit to Beijing in October 2016, when he brought more than 200 business leaders to invite Chinese investments to Manila in infrastructure, trade facilities, and socio-cultural cooperation [7]. This change of attitude was chiefly motivated by these causes:
Fig. 1 China’s Bilateral Exports and Imports of Goods with the Philippines, 2015-2021 [8]

Figure 1 reveals bilateral imports and exports of goods between China and the Philippines from 2015 to 2021, based on data from the China Economic and Huajing Industrial Research Institute. It could be judged from Figure 1 that trade and bilateral cooperation will be one of the means of reshaping the economy. With China being the Philippines’ second trade exporter after Japan at the start of the dispute, and China has been the Philippines’ largest trade partner for six consecutive years from 2016 to 2022 and jumping to become the Philippines’ primary source of foreign investment, the South China Sea arbitration case does not seem to have hit the bilateral relationship hard, but instead has given it a substantial opportunity of economic trade. The post-dispute behavior of the two countries fully fulfills the expectations of compounded interdependence, where cross-governmental politics has the consultative function of transforming problem areas into economic trade, which in turn controls international organizations and transnational actors to achieve consistency in pursuit of bilateral national objectives.

Although at the beginning of the incident, some scholars and media suggested that China and ASEAN should organize a multilateral forum to defuse the South China Sea dispute and achieve a balanced distribution of regional resources. However, such an approach goes beyond the realities of the situation and is an apparent attempt to present China as the “hegemon of Southeast Asia”. China intends to keep the matter within bilateral relations and not escalate it to multilateral relations because of the vast differences in the attitudes and positions of different ASEAN countries on the South China Sea issue, the different ways in which different countries have taken up arbitration by one ASEAN member state, and the different views of different countries on the involvement of extraterritorial forces to influence the actions of ASEAN members [9]. China’s action reflects its desire to prevent the instability and security of the Asia-Pacific region from being impacted by tensions in the South China Sea. The ASEAN Security Community Program of Action and the Declaration on the Conduct of Parties in the South China Sea, however, do not take into account China’s strategy. China believes that the Philippines’ enforcement of the arbitration case is inappropriate for Southeast Asian nations and in violation of the convention. However, China is aware that the Philippines’ claims are merely an independent pursuit of economic and resource advantages.

The BBC published a report on the ASEAN summit on July 25, 2016, in which it wrote that “China’s ally,” Cambodia prevented any mention of the South China Sea arbitration results during the meeting. ASEAN diplomats said both the Philippines and Vietnam wanted the ruling to be mentioned in the ASEAN foreign ministers’ meeting communique and stressed “the need to comply with international law,” according to the Philippine newspaper Business Day. According to the source,
the Philippine and Vietnamese foreign ministers also discussed the ruling with other ASEAN foreign ministers in a closed-door meeting. On the eve of the meeting, however, Cambodia threw ASEAN into turmoil when it raised objections to the mention of the ruling. Cambodia concurs with China’s claim to the South China Sea and its desire to settle the conflict through bilateral talks [10]. The decision of the South China Sea arbitration case seemed to be purposefully avoided in statements made by many nations at the summit. In the post-arbitration world of Southeast Asia, where Vietnam, Malaysia, and Brunei, in addition to the Philippines, also claim partial sovereignty over the South China Sea, as each Southeast Asian nation is well aware of the authority and consistency of the Declaration on the Conduct of Parties in the South China Sea and the ASEAN Security Community Program of Action, ASEAN has not scheduled any meetings to discuss the positions of various member states on the South China Sea arbitration case. This situation is caused by various complex factors.

China expects to reach an agreement with ASEAN countries on military alert in the South China Sea five years after the arbitration case. However, Southeast Asian nations claim they do not want to be involved in the military conflict between China and the United States and prefer a peaceful and civilized solution. Tensions in the South China Sea have gradually decreased since the arbitration case, but cooperation and trade ties between China and Southeast Asian nations have not broken. The author thinks that alliance politics will become a crucial tool for reshaping international regimes, which will become a geopolitical and economical vehicle to explore the possibility of consensus building while maintaining the convention, even though China and the Philippines’ approach to handling the South China Sea arbitration case is limited to bilateral diplomatic negotiations.

4.2 Prospect: Modes of Governance in the South China Sea Following the Remodeling of International Regimes

From the previous analysis, the study found that understand that the South China Sea arbitration case provides two vehicles for reshaping international regimes: bilateral trade cooperation and alliance politics. The “carriers” are the benign outcomes of international systems’ reshaping and an abstract comprehension of them. Their development is directly connected to how international organizations function. A creative model of adherence to the checks and balances of power is created when states’ demands are communicated bilaterally or multilaterally through international organizations. This governance model has proven successful following the South China Sea arbitration. However, authority is rooted in marine legal power rather than being manifested in military force. The four international conventions: the Convention on the High Seas, the Convention on the Continental Shelf, the Convention on the Territorial Sea and the Contiguous Zone, and the Convention on Fishing and Conservation of High Seas Resources, constitute a supervisory system for the operation of international regimes that sufficiently harmonize the interests of developed and developing countries.

In the Arctic Aurora case, the Netherlands sued Russia over the seizure of the Greenpeace icebreaker Aurora for attempting to board a Russian oil rig in protest of Russia’s Arctic development [2]. Russia and China have taken the same approach in the South China Sea arbitration case, stating that they will not participate in the arbitration, let alone enforce the award. In both cases of international maritime disputes, the Netherlands to Russia and the Philippines to China have inextricable and interdependent trade relations. In both maritime disputes, the study found that the escalation of regional tensions resulting from the conflict resulted from a combination of factors. In this regard, the Arctic Council undoubtedly provides a successful example of a security cooperation mechanism in the maritime domain in the post-South China Sea arbitration era, with the aim and purpose of protecting the environment of the Arctic region and promoting sustainable economic and social development in the region [11].

According to scholars worldwide, there are more than 300 maritime areas with delimitation disputes and more than 1000 disputed islands, involving hundreds of countries constantly at war. There are also specific claims for delimitating the high seas and economic zones between the Union
and the claimant states. There are many places where rights overlap, and because rights are assigned based on the domestic laws of various nations, it is challenging for various national actors to cooperate on marine governance. This is especially true regarding disputes over maritime boundaries and governance models. Therefore, it is necessary to establish a regulatory council, and the South China Sea security cooperation mechanism can learn from the observer system of the Arctic Council to promote regional security and stability.

The South China Sea governance model that this study focuses on is not based on an idealistic and utopian co-management model. Instead, it is a relatively stable model of governance that has emerged through the characteristics of contemporary maritime conflicts and the practical solutions of relevant cases.

![Fig.2 South China Sea governance model (Photo credit: Original)](image)

From figure 2, which presents a governance model of the South China Sea, it could be expected that the future governance model of the South China Sea could be between bilateral and multilateral relations, thus after the strife in the first and middle term in the South China Sea, it would be seen a scene of power checks and balances brought about by the reshaping of international regimes. Among them, developing multilateral alliance politics is the key to future governance. The relationship between China and Southeast Asian claimants in the South China Sea governance should not be based on the China-Philippines South China Sea arbitration case. To build the South China Sea together, advance the implementation of the South China Sea Declaration on the Conduct of Parties, allay concerns about the hegemonic state of nations in the Asia-Pacific region, realize a dynamic governance model of reciprocal checks and balances of maritime law and power, and jointly defend the maritime order of stability, China and ASEAN should look for opportunities to do so [12].

5. Conclusion

The study examines the composite power attachment theory’s effects under neoliberal institutionalism on the post-arbitration age and its beneficial ramifications for contemporary maritime governance after the force element has been diminished. Trade and economic diplomacy have been used to modify international frameworks to establish checks and balances on regional power. The international regimes have been altered: it is neither broken nor disorganized. Whether or not the South China Sea arbitration case is successful, it cannot alter the established pattern of international
commerce and economic cooperation. This case also supports the viability of the compound power dependency hypothesis.

In political practice, the international community is inconclusive regarding the consequences of China’s non-recognition of the ruling and non-participation in the arbitration, just as there are significant differences in the legislative purpose and real-world enforcement of the United Nations Convention on the Law of the Sea. The theory of compound power dependency opens up new horizons in the understanding of international regimes, giving importance in practice to the coherence of state actors in coalitions and conventions, but without treating international regimes as third-party mediators over and above state sovereignty, as it seems, based on examples, unable to fill this role. The International Court of Justice and the Permanent Court of Arbitration can respond to specific international conflicts. These so-called decisions will be honored by the parties, which is the perfect judicial model. However, the reality is that the Philippines, as the prosecuting party in the trial, has the upper hand, and thus the judicial process has many unexamined loopholes. For example, in the absence of China, the court’s arguments are not possible, and the judicial process is only the self-representation of the prosecuting party. The prosecuted party seems to be curtailed from speaking out. Therefore, it is worth considering the basis of the decision and whether the weaker country’s claim is more reasonable. An arbitrary and ill-considered ruling could escalate the situation in the South China Sea or even a head-to-head clash of military forces between the two countries.

As a result, although international law is a crucial component of the international system, it still has several issues that must be fixed. The discussion of the neo-realist and constructivist schools of thought is not fully developed in this study, which only examines the possibility of reshaping international regimes from a neo-liberal institutionalist perspective. There is also plenty of room to discuss further whether regional hegemony will develop in the South China Sea. To provide a better understanding of international processes and the role of new players and international organizations in international conflicts, it is required to embrace various theoretical paradigms in future studies of IPE. The two are, without a doubt, interdependent and products of one another, and they are how the “state of nature” in the international order is changed into the “state of law.” However, we have never been able to distinguish clearly between power politics and international regimes. There is no question that the two are interrelated, a byproduct of one another, and that they are what allows the global order to go from the “state of nature” to the “state of law”.

References


