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SOUTH CHINA SEA

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Executive Summary

The South China Sea remains a significant arena of geopolitical tension, primarily driven by China's expansive policies and military assertiveness in disputed territories. Despite the establishment of a non-binding Code of Conduct (CoC) with ASEAN, China's actions have raised substantial concerns about regional stability. In response, ASEAN countries are advocating for the transition from a non-binding CoC to a binding framework under international law to safeguard their sovereignty and ensure peace in this strategically vital region, through which approximately \$3 trillion in trade passes annually.



Background

Historical Context:

- **Chinese Occupation:** In 1995, China unlawfully occupied Mischief Reef, located 210 kilometers from the Philippines' Palawan Island, prompting alarm among ASEAN nations over potential regional instability.
- **ASEAN's Response:** In 1996, ASEAN issued a Joint Communique calling for peaceful resolution of disputes and a reinforcement of member countries' sovereignty.
- **Non-Binding Declaration:** After years of negotiations, ASEAN and China agreed to a non-binding Declaration of Conduct (DOC) in 2002 aimed at maintaining regional peace and stability. However, efforts to establish a binding code have stalled over the past two decades, coinciding with an increase in Chinese assertiveness.



Current Developments:

- On October 13, 2024, ASEAN leaders called for a swift transition to a binding Code of Conduct, emphasizing the need for legal obligations to address rising confrontations in the South China Sea.

Geopolitical Situation:

- The shift from a non-binding to a binding CoC could significantly alter the geopolitical landscape in the region, imposing legal responsibilities on participating nations, including China, thereby promoting stability.

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Conflict Analysis



Geopolitical Implications: Transitioning to a binding CoC would empower ASEAN nations through enforceable agreements under international law, enhancing their ability to collectively respond to Chinese aggression. This shift could attract external powers like the U.S. and Japan, potentially leading to a recalibration of China's strategic posture in the region.

Economic Impact: The South China Sea is crucial for global trade, facilitating \$3 trillion in commerce. A binding CoC would bolster investor confidence, encouraging economic engagement in the region while mitigating volatility. Conversely, China's potential resistance to a binding CoC could disrupt its Belt and Road Initiative, leading to economic ramifications.

Security Implications: A legally binding CoC could curtail military escalation in the disputed waters, reducing the risk of confrontations. This framework may help halt China's militarization of artificial islands, fostering a more secure maritime environment.

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Scenario Analysis

- **Best Case Scenario:** A swift agreement on a binding CoC leads to long-term peace and stability. China shifts from military posturing to diplomatic engagement, reinforcing international maritime law and ensuring free navigation, while the U.S. and other external powers enhance regional security efforts.
- **Most Likely Scenario:** The transition to a binding CoC is gradual, with China resisting certain provisions. While military assertiveness may diminish, some tensions persist. ASEAN nations utilize the legal framework to challenge confrontations, supported by increased U.S. presence in the region.
- **Worst Case Scenario:** China rejects the binding CoC, escalating tensions in the South China Sea. Continued militarization and disregard for international law could lead to conflicts, pushing some ASEAN nations closer to external powers like the U.S., while risking economic sanctions from China.

Strategic Recommendations

Diplomatic Recommendations:

- **Enhance ASEAN Unity:** Strengthen diplomatic and military cooperation among ASEAN nations to present a unified front in discussions with China, leveraging joint military exercises and information sharing.
- **Engage External Powers:** Involve key external players, including the U.S., India, and Japan, to counterbalance China's influence and ensure freedom of navigation in the South China Sea.
- **Enforce International Law:** Utilize platforms such as the United Nations Convention on the Law of the Sea (UNCLOS) to garner global consensus and pressure China to adhere to international norms.



Economic Recommendations:

- **Broaden Trade Routes:** Invest in diversifying trade routes and maritime infrastructure to reduce dependency on the South China Sea and minimize risks from disruptions.
- **Foster Economic Cooperation:** Enhance intra-ASEAN trade and reduce economic dependency on China through regional free trade agreements and investment initiatives.
- **Attract Foreign Direct Investment:** Create an environment conducive to foreign investment by promoting long-term regional stability and potential economic growth.

Security Recommendations:

- **Enhance Naval Capabilities:** Strengthen ASEAN naval forces to improve surveillance and defense in disputed areas, allowing countries to assert their territorial claims effectively.
- **Multilateral Defense Agreements:** Develop regional defense pacts to ensure collective security responses, deterring direct confrontations from China.
- **Non-Military Solutions:** Promote cooperation in disaster relief, environmental protection, and anti-piracy initiatives to foster a peaceful and collaborative maritime environment.



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- **Non-Military Solutions:** Promote cooperation in disaster relief, environmental protection, and anti-piracy initiatives to foster a peaceful and collaborative maritime environment.

Policy Recommendations:

- **Binding Code of Conduct:** ASEAN must expedite diplomatic negotiations with China to establish a binding CoC that includes enforceable dispute resolution mechanisms and reduces military tensions.

Leverage Diplomatic Talks: Continuously engage China in diplomatic discussions through various forums to seek long-term resolutions for territorial disputes.

Conclusion

The South China Sea remains a critical theater for geopolitical, economic, and security dynamics impacting regional stability and global trade. Transitioning to a binding Code of Conduct is essential for maintaining peace and securing a cooperative environment. ASEAN nations must adopt a comprehensive maritime strategy to navigate confrontations effectively, leveraging collective strengths to promote stability in this strategically significant region.





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