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EAST ASIAN HISTORY AND CULTURE REVIEW

Past and Present Resource Disputes in the South China Sea: The Case of Reed Bank

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Abstract

In 2012, tensions flared between China and the Philippines over plans to drill for oil in the Reed Bank, a disputed shoal in the South China Sea, rekindling fears about the possibility of military conflict over the area's energy resources. This article shows that international controversy centering on the Reed Bank's hydrocarbon reserves initially emerged during the oil crisis of the 1970s, when the pursuit of energy resources transformed the islets into a hotly contested area. As in recent years, oil exploration by multinational corporations in conjunction with the Philippines catalyzed international disputes. Vigorous protests from China and other nations that lay claim to territories in the South China Sea prompted the Philippines to assert its own jurisdictional claims. The territorial dispute pushed claimants to the brink of military confrontation in the 1970s, yet armed conflict failed to materialize. By examining the initial round of tensions surrounding oil exploration at Reed Bank, this article situates the current international competition for the South China Sea's energy resources in historical perspective. Analyzing past disputes and their ultimate resolution offers insights into the dynamics of present tensions, while making it possible to critically engage with arguments predicting future "resource wars" in the South China Sea.

Keywords: South China Sea, Philippines, Reed Bank, Recto Bank, oil exploration

Introduction

China, Taiwan, Vietnam, Malaysia, Brunei, and the Philippines assert competing territorial and jurisdictional claims in the South China Sea, in part over rights to its (possibly) extensive oil and natural gas reserves. To be sure, the South China Sea disputes do not derive exclusively from resource conflict. The situation is much more complex and multifaceted. Nevertheless, the existence of energy resources has acted to intensify these territorial disputes. The various East Asian and Southeast Asian nations involved have increasingly come to perceive access to the South China Sea as a critical means to acquiring the energy they need to thrive economically.

With global energy demand rising, many countries in the region are seeking new ways to meet their long-term energy needs. China's reserve-to-production ratio, which indicates how long domestic petroleum supplies will last at current production rates, stands at 11.4 years for oil and 28.9 years for natural gas (BP 2013, 6, 20). South China Sea fossil fuel production could, some believe, more than double China's reserves. China and other Asian states could also seek to increase fossil fuel production in the South China Sea, because the remaining global reserves tend to be concentrated in countries, such as Iran, Venezuela, and Saudi Arabia, that have the potential for political instability (Rogers 2012, 87; Buszynski 2012, 141).

According to peace and world security scholar Michael Klare's influential hypothesis, Asia's economic growth has generated an expanding demand for energy, which drives struggles for control of the South China Sea's hydrocarbon resources. Asian countries lack substantial hydrocarbon reserves of their own, which makes energy resources difficult to acquire (Klare 2002, 110). As a result, Klare argues, "the states that border on the area will undoubtedly seek to maximize their access to its undersea resources in order to diminish their reliance on imports" (2002, 111). The South China Sea's "undersea resources are subject to overlapping and contested claims, and the states involved in these maritime disputes appear prepared to employ military force in defense of what they view as vital national interests" (Klare 2002, 109). Taken together, these factors have made the South China Sea into what Klare describes as "the fulcrum of energy competition in the Asia-Pacific region" (2002, 112).[1]

Existing estimates of the South China Sea's energy reserves vary. A recent U.S. government report suggests that the South China Sea holds approximately 11 billion barrels of oil and 190 trillion cubic feet of natural gas in proved as well as probable reserves. In contrast, Chinese surveys estimate undiscovered resources amounting to 125 billion barrels of oil and 500 trillion cubic feet of natural gas (U.S. Energy Information Administration 2013).[2] Regardless of these huge discrepancies, many countries—including China, Vietnam, and the Philippines—have been moving forward with plans to exploit the South China Sea's hydrocarbon resources. Tensions have increased, with claimant states beginning to fear that access to potential oil and natural gas reserves in the South China Sea is a zero-sum game and that they have to exploit those reserves before others tap into them first. The People's Republic of China (PRC), meanwhile, continues to issue warnings against outside parties (namely the United States) becoming embroiled in the territorial disputes (Rogers 2012, 87).

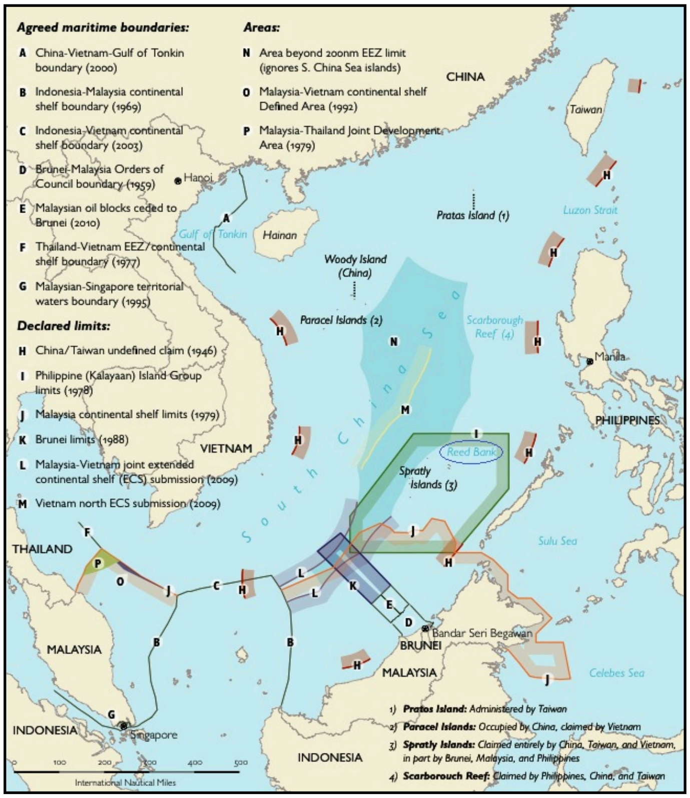

Figure 1. Military and security developments regarding the People's Republic of China.
Source: U.S. Department of Defense (2012).

Conflict has flared in recent years between China and the Philippines over control of the area's oil and natural gas deposits, one component of the growing tensions in the South China Sea. A major point of contention has been the disputed Reed Bank area (often referred to in Philippine sources as Recto Bank), a rocky shoal about 93 miles east of the Spratly Islands and 155 miles west of the Philippine island of Palawan (see figure 1). The Philippines claim that Reed Bank is within its 200-nautical-mile exclusive economic zone (EEZ), whereas the PRC sees it as part of the Spratly Islands, a group of 250 islets spread over 165,000 square miles that is claimed in its entirety by China, Taiwan, and Vietnam, as well as partially by Malaysia, Brunei, and the Philippines.

In 2005, the Philippine government awarded a contract to the U.K.-based oil and gas company Forum Energy, whose majority shareholder is Philex Mining Corporation of the Philippines, to conduct seismic surveys in the Reed Bank's Sampaguita gas field. Forum's surveys reportedly indicated the presence of 3.4 trillion cubic feet of gas—a potentially significant source of energy and income for the Philippine government. In February 2010, the government of the Philippines extended its contract with Forum, and the MV *Veritas Voyager*, a survey ship chartered by the company, began exploring locations to sink appraisal wells. These actions did not go unnoticed. On March 2, 2011, two patrol boats from the PRC's Marine Surveillance Force (Haijian budui) approached the *Veritas Voyager* near Reed Bank and forced it to withdraw. The PRC vessels ordered the survey ship to cease its activities, holding that Reed Bank was under Chinese jurisdiction. In the days following the run-in with PRC vessels, Philippine president Benigno Aquino III sent patrol aircraft and escort vessels to accompany *Veritas Voyager*, held an emergency cabinet meeting, filed a protest with China, and sent his defense secretary and armed forces chief to the Western Command of the Philippines military as a show of strength. In April, Manila lodged a formal protest at the United Nations and sought support from the Association of Southeast Asian Nations (ASEAN) in forging a common position on the issue. Beijing responded by accusing the Philippines of invading the PRC's territorial waters.

Though Forum Energy has halted operations, the company reportedly plans to start drilling for gas in Reed Bank despite Chinese objections. The Philippine government promises that it will provide patrol ships and surveillance planes to protect Forum's exploration vessels. Over the next few years the government of the Philippines intends to offer fifteen contracts for offshore exploration near Palawan Island, including the agreement with Forum. The PRC has firmly warned foreign oil companies against exploring in the South China Sea, over which it claims indisputable sovereignty, and Chinese ships have harassed several vessels that have tried. Given the Philippines's intention to uphold its claim to Reed Bank, many commentators have warned that the tensions could escalate into violence if China intervenes to halt drilling (Buszynski 2012, 142; De Castro 2012, 216–217; Faby and Mugato 2012; Glasser 2012; Haddick 2012; "South China Sea" 2012; Storey 2011; Storey 2012, 58).

This territorial row between China and the Philippines over the Reed Bank area has rekindled fears of an impending military conflict centered on the South China Sea's energy resources. The episode marks the most recent instance of a claimant state granting hydrocarbon concessions in a disputed territory in the South China Sea as way of exercising its jurisdiction. International tensions centering on Reed Bank's hydrocarbon reserves initially emerged amid the oil crisis of the 1970s, when the pursuit of oil and gas resources transformed the tiny islets into a hotly contested area. During the 1970s, much as in recent years, oil exploration undertaken by multinational energy corporations in conjunction with the government of the Philippines catalyzed disputes over the Reed Bank area. Protests issued by China and the other nations that claimed this territory prompted the Philippines to reassert its own jurisdictional claims in the South China Sea and to strengthen its military presence, thereby heightening tensions. The territorial dispute of the 1970s seemed to push claimants to the brink of military confrontation, yet armed conflict ultimately failed to materialize.

Drawing on the case study of the initial round of disputes surrounding oil exploration in Reed Bank during the 1970s, this essay seeks to offer a historical perspective on one particular aspect of the larger international disputes in the South China Sea. By analyzing an earlier period of heightened tensions over Reed Bank's hydrocarbon resources, as well as revealing the ultimate resolution of these tensions, the article lends insight into the dynamics of present-day controversies in the area.

Transnational Capital and National Sovereignty

Starting in the early 1970s, the government of the Philippines began to pay serious attention to offshore oil exploration in the South China Sea. Geophysical research accelerated, and at the end of 1971 the Philippines granted sixty-five concessions for oil exploration in the area. Oriental Petroleum and Minerals Corporation drilled the first two offshore exploration wells northwest of Palawan in May and July 1971, but they came up dry. In 1972, Philippine president Ferdinand Marcos ratified a petroleum exploration law that allowed foreign oil companies to sign a "contract of service" with Philippine companies for exploration and development of the country's petroleum resources. The first concession granted in the Reed Bank area went to a joint venture called Fil-Am Resources as "part of an effort to strengthen Philippine claims in the South China Sea area contested by both Vietnam and China (as well as nominally by the government of Taiwan)" (Woodward 1980, 160). Agreements with other foreign oil companies followed. The Philippine National Oil Company was formed to provide greater state control and increase investment in petroleum exploration and downstream marketing. Initially, no exploration took place at Reed Bank, and offshore drilling was limited to one well in the Sulu Sea (Wu 2010, 124–125).[3]

Exploration at Reed Bank did not materialize until the post-1973 global spike in oil prices altered the cost-benefit equation and made the venture economically attractive. In July 1974, all the companies holding petroleum exploration concessions in the Reed Bank area agreed to work together to conduct joint exploration activities. With Seafront Petroleum as the lead company, the Reed Bank consortium entered into an operating agreement in July 1974 with a group of Swedish companies headed by the Salen Group—an oil and gas explorer and rig contractor—to conduct seismic surveys. When surveys yielded encouraging results, Salen applied for and obtained a service contract in November 1975 that covered Reed Bank and areas nearby (1975MANILA12464; 1975MANILA17960; Urano 1997, 559; Valencia 1985, 81–82; Woodward 1980, 160–161;).

In early 1976, an international consortium of three Swedish and seven Philippine companies gained concessions to explore petroleum resources at Templar Bank (part of the Reed Bank area). The consortium was to drill three wells over the first two years and one well per year thereafter for the remaining five years of the contract. The Swedish companies put up $32 million in venture capital for the first two years and $62 million for the next five years. The Philippine partners contributed only their oil exploration concessions.[4] U.S. diplomatic assessments observed that

> Philippine motivation derives primarily from the belief that [the] Spratly area contains commercially exploitable petroleum reserves which [the] Philippines wishes to control and which it wishes to deny to other claimants, notably Vietnamese and Chinese. Secondary motivation derives from [the] Philippine desire [to] deny these islands to foreign occupation, which it would regard as [a] security threat to its territory and shipping. (1976MANILA07149)

In March 1976, the Reed Bank consortium began experimental drilling in secret, so as not to provoke other claimants. The Salen group contracted Brinkerhoff I, a drill barge owned by an American company based in Denver, to carry out drilling in Reed Bank, and it hired offshore drilling experts from the United States (1976MANILA05063; 1976MANILA06164; 1976STATE090034; 1976STATE099563). According to U.S. diplomatic sources, involving Brinkerhoff was a “deliberate Philippine design” (1976MANILA07149). The Philippine government had previously tried to interest two other large U.S. petroleum companies, Gulf Oil and Occidental Petroleum, in exploration at Reed Bank, partly because the United States had the only available commercial technology for operating in this environment and partly because Marcos wanted the United States to have a direct interest in any confrontation that might arise over the Reed Bank area. However, the U.S. State Department tried to discourage American companies from taking part in oil exploration in this disputed territory (1976MANILA07149; 1975MANILA17969).

Over the following month, the Salen-led operation drilled the Sampaguita No. 1 well at Templar Bank.[5] Once drilling enjoyed some success with Salen as its main operator, Amoco (Standard Oil of Indiana) farmed into the venture and obtained a 38 percent interest in the consortium. Amoco took over subsequent exploration activities, employing a U.S.-registered drill ship to sink two additional wells (1976MANILA10545; 1976MANILA14158; *Journal of Commerce* 1976, 26; Moore 1979, 59; Urano 1997, 562; Valencia 1985, 82; Waijiaobu 1995, 1336; Wu 2010, 133). Amoco was repeatedly asked to play down its role in the exploration project by the U.S. State Department so as to avoid antagonizing other claimants (1976MANILA14158; Kramer 1976, 1; Valencia 1985, 82). Amoco recognized that the Philippine claim was “not air-tight,” but the company’s legal experts considered it better than that of China or Vietnam. The U.S. ambassador to the Philippines warned that, “regardless of legalities,” any significant oil strike could draw a hostile reaction; Amoco did not dispute this point but would not withdraw (1976MANILA14158).

When word of oil exploration at Reed Bank got out, the international reaction was immediate. On May 28, 1976, Republic of China (ROC) Ministry of Foreign Affairs (MOFA) spokesman Zhong Hubin reiterated Taiwan’s claim to sovereignty over the Spratly Islands (Nansha qundao) and the Paracel Islands (Xisha qundao). The MOFA statement warned that “no other country would have the right to enter into a contract for oil exploration or exploitation on the Reed Bank, which is situated within the Nansha Islands” (FBIS-APA-76–105). The ROC’s MOFA stressed that the Spratly and Paracel Islands were “an integral part of the territory of the Republic of China.” The two archipelagoes, as MOFA’s spokesman stated, “have long been an inalienable part of the territory of the Republic of China” (FBIS-APA-76–105).

Vietnam also protested vigorously. The Provisional Revolutionary Government of South Vietnam’s Foreign Ministry proclaimed on June 6 that

> according to Western press agency reports, several foreign companies have lately been preparing to prospect for oil in the area of the Spratly Archipelago, which is a part of Vietnam territory. In view of this the Provisional Revolutionary Government of the Republic of South Vietnam reaffirms its sovereign rights to the Spratly Islands and reserves the right to defend its sovereignty. (FBIS-SOV-76–110)

On June 12, Philippine newspapers publicly reported for the first time on oil exploration at Reed Bank. Two days later, the PRC's Ministry of Foreign Affairs responded to news reports about the oil drilling operations by proclaiming China's sovereignty over the area.

> The Nansha Islands, as well as the Xisha, Zhongsha, and Dongsha Islands, have always been part of China's territory. The government of the PRC has time and again declared that China has indisputable sovereignty over these islands and their adjacent sea areas and that the resources there belong to China. Any foreign country's armed invasion and occupation of any of the Nansha Islands or exploitation of oil and other resources in the Nansha Islands constitute encroachments on China's territorial integrity and sovereignty and are impermissible. Any foreign country's claim to sovereignty over any of the Nansha Islands is illegal and null and void. (FBIS-CHI-76–116)[6]

The PRC's statement came as a warning to the Philippines, as well as to Vietnam. The Soviet Union, Vietnam's supporter in its mounting tensions with China, firmly backed Vietnam's claim to the Spratly Islands and accused the PRC of an expansionist plot to encroach on the territory of neighboring countries and usurp their resources (FBIS-SOV-76–113; FBIS-SOV-76–138; Urano 1997, 560–561; Waijiaobu 1995, 1325).

Hours after the PRC announced its indisputable sovereignty over the Spratlys and accused the Philippine-Swedish-American consortium of violating its territory, the foreign secretary of the Philippines, Carlos Romulo, countered by asserting that international law supported his nation's claim. As Romulo put it, "The Reed Bank is within the continental shelf of the Philippines which was declared by the Republic of the Philippines to be within the economic exploitation zone of the country in accordance with the United Nations convention of continental shelves in 1958" (FBIS-APA-76–117). According to Romulo, the Philippines had declared its right to explore and exploit its 200-mile economic zone in 1968 without encountering any international opposition (FBIS-APA-76–117; Urano 1997, 561; Waijiaobu 1995, 1323). The Philippines's foreign partner, the Salen Company, backed this stance. A spokesperson for Salen stated that the PRC claim to sovereignty over Reed Bank had negatively influenced the company's operations. Salen's representatives held that the area in which oil exploration was being carried out clearly belonged to the Philippines, which had already convincingly refuted the PRC's claims to sovereignty (Waijiaobu 1995, 1324). In Salen's view, oil exploration could go on unimpeded.

Investors in the Philippines were less confident. As soon as the PRC reasserted its sovereignty over all the Spratly Islands—including Reed Bank—the market for oil stocks in the Philippines tumbled. On June 15, the volume of trading had been 2.5 billion shares, valued at 65 million pesos. On June 16, volume dropped to 1.57 billion shares, valued at only 39 million pesos. Stock prices for Philippine oil companies also fell considerably. Leading entrepreneurs in Manila, including Marcos's friend and crony Herminio Disini, had investments in oil exploration and prospecting, so these fluctuations generated a great deal of anxiety in politically influential circles (Waijiaobu 1995, 1327–1328). Philippine military units in the area were strengthened to protect oil exploration activities at Reed Bank, and air and sea patrols were increased (Scowcroft 1976).

Newspapers in the Philippines pointed out that the nation had long claimed the Reed Bank area as part of its sovereign territory. But, because of Reed Bank's proximity to the Spratly Islands (which the Philippines argued it was not a part of), Vietnam and the PRC each held that the area was part of their territory. Discovery of oil in the area had attracted international attention. When an American oil company joined the Philippine-Swedish oil exploration consortium, the situation grew even more complicated. The level of Soviet support for its Southeast Asian ally Vietnam, and the way that the United States would act to protect American economic interests, were both cause for concern. The Philippine press called on all countries involved to devise a method for resolving the dispute (Waijiaobu 1995, 1326). The pursuit of energy resources by the Philippines and other claimants' uncompromising response made observers doubt the possibility of a peaceful resolution.

Yet, even as tensions persisted, political actors made concerted efforts to avoid conflict. Foreign Secretary Romulo gave assurances that no real problems existed between the Philippines and the PRC. According to Romulo, President Marcos had discussed exploitation of the Reed Bank's oil resources in June 1975 during his state visit to Beijing. Without revealing concrete details, Romulo stated that the Chinese foreign minister was present at earlier talks and meetings regarding the Spratly Islands (FBIS-APA-76–118; 1976MANILA07149). In conversations with U.S. diplomatic personnel, Marcos likewise said that he had discussed the Spratly Islands during his audience with Mao Zedong. According to Marcos, he had pointed out to Mao that Taiwan occupied the island of Itu Aba (largest of the disputed islands at 42 hectares), the Philippines occupied seven smaller islands, and Vietnam occupied others. When Marcos asked if the PRC intended "to chase [the] Chinese Nationalists out of Itu Aba," vice-premier Deng Xiaoping had replied that the Nationalists still occupied Taiwan, which held far more importance to Beijing than Itu Aba. After pursuing the subject further, Marcos said that Deng had assured him that, for the time being, the status quo could continue even though the PRC regarded all the islands as Chinese territory. The PRC's minister of foreign affairs, Qiao Guanhua, indicated that talks on the subject could be pursued by the ambassador from the Philippines after his arrival in Beijing (1976MANILA11802).

On June 18, Romulo met with the PRC ambassador to the Philippines, Ke Hua, and explained that the Philippines would go on drilling for oil in the Reed Bank. Romulo received an invitation from Qiao Guanhua to visit Beijing in July to discuss contested claims to the Reed Bank area, but he asked that the visit be postponed until August because of ongoing negotiations with the United States regarding American military bases in the Philippines. Romulo told Chinese representatives that, in his earlier state visit to the PRC, Marcos had brought up Philippine claims to maritime territories off Palawan. The PRC's leaders, said Romulo, had asked Marcos to table discussion of the issue until the two countries followed through with plans to establish embassies in each other's capitals (1976MANILA11802; FBIS-APA-76–120; Waijiaobu 1995, 1328, 1329; Wu 2010, 126–127). Romulo also reminded Chinese officials that the joint communiqué signed by Marcos and the late premier Zhou Enlai to establish diplomatic relations between the Philippines and the PRC had been "specific in mentioning that any dispute between the two nations be settled by peaceful means without the use or threat of force" (FBIS-APA-76–120).

Later in July, the Philippine ambassador to China returned from Beijing "empty handed" after an attempt to obtain PRC support for, "or at least tacit acceptance of," the Philippine government's position on petroleum exploration in the Reed Bank area. The ambassadorial visit was intended to prepare the way for a visit by Romulo originally set for early August.[7] On July 22, however, Romulo announced that his visit to Beijing would be postponed until September, after the UN General Assembly session. Romulo stated that he might discuss the Reed Bank question with PRC officials, but the Philippines had no intention of altering its claim. He hastened to add that the Philippine position would be explained fully and logically if the Chinese brought up the matter (FBIS-APA-76–143).

Contacts between the Philippines and Vietnam similarly emphasized peaceful resolution. After the founding of a unified Socialist Republic of Vietnam in early July 1976, a mission led by Vietnam's vice foreign minister Phan Hien visited the Philippines from July 9 to 13 to establish diplomatic relations between the two countries. At a news conference held in Manila prior to his departure, Phan Hien upheld Vietnam's claim to sovereignty over the Spratly Islands. But, as he noted, "history has often left behind complicated matters that require careful examination." In his view, the territorial dispute should be settled through negotiations (FBIS-APA-76–135). In a conversation with U.S. diplomats, Marcos held that Pham Hien had given "categoric assurances that negotiations on the subject" would begin once diplomatic relations began and embassies were established. The concrete form that negotiations would take was left uncertain. Regardless, Marcos interpreted Pham Hien's words as a "pledge to pursue the Vietnamese claim by peaceful means" (1976MANILA11802). When asked by U.S. representatives about how he expected China to react to the Philippines and Vietnam negotiating about the "Chinese territory" of the Spratlys, Marcos "shrugged and said that they seemed to accept the fact that there is a dispute about the islands and accept the status quo." When asked if he envisaged a trilateral negotiation, Marcos said it was "conceivable" (1976MANILA11802).

According to American diplomatic personnel, Marcos seemed to be laying the groundwork for an effort to enhance the quality of Philippine claims. While his exact objectives were not altogether clear, his "ultimate objectives" were

> not the small land areas in the Spratly Group, but rather the seabed areas in the Reed Bank and other associated regions which may have petroleum-bearing formations. While he will naturally take whatever he can get, it is doubtful that he really expects China to share any of the Spratlys per se with either the Philippines or Vietnam. His game, therefore, is apparently to advance claims to as much as he can credibly encompass, so that he can fall back to a North Sea type seabed partition which will give him something west of the Palawan Trench. (1976MANILA11802)

On July 24, the Philippine oil interests raised the possibility of partitioning the South China Sea in order to resolve the dispute among China, Vietnam, and the Philippines. The next day, oil industry leaders in the Philippines elaborated the details of the proposal. Jose de Venecia, a Liberal Party congressman and president of the Philippine Petroleum Association, advocated dividing the South China Sea into "geographic blocks" for petroleum exploration. A "median" line between the Asian mainland and the Philippines would allocate "adjacent blocks and areas east or west of the line" to countries involved. As de Venecia pointed out, the North Sea Convention adopted a similar formula to resolve competing petroleum claims among England, Norway, Sweden, the Netherlands, and Germany. Such an arrangement would "solve the geo-political conflict in the South China Sea," which de Venecia described as "essentially an oil scuffle." Based on this formula, the Paracel Islands (west of the line) would be allocated to China and Vietnam, who could resolve competing claims between themselves. The Spratly Islands (east of the line) would come under Philippine jurisdiction. Unsurprisingly, China and Vietnam never even acknowledged the proposal (1976MANILA11000; FBIS-APA-76–144).

At the end of August 1976, the Philippine Defense Department announced a meeting in Manila of representatives from the PRC, Vietnam, Thailand, Malaysia, Indonesia, and the Philippines to lay the groundwork for an integrated hydrographic map of the South China Sea. At a press conference, Zhong Hubin, spokesman for Taiwan's MOFA, acknowledged foreign wire service reports that the Manila meeting aimed to settle disputes over the Reed Bank area, which he defined as part of the Spratly Islands. However, Zhong emphasized that, regardless of the meeting's purpose, the ROC would not recognize any of its results. Zhong also made sure to reiterate that the ROC government possessed full sovereignty over all the Spratly Islands (1976STATE214670; FBIS-APA-76–170). Taiwan did not have any intention of recognizing the outcome of multilateral negotiations that left it out in favor of engagement with the PRC.

The Philippines Strengthens Its Claim

Even as it pursued a negotiated solution to the Reed Bank dispute, the Philippines displayed a readiness to use military force to uphold its territorial claims. On July 27, 1976, President Marcos deputed patrol vessels that the Philippines had obtained from the United States and Japan to defend against possible foreign encroachments and protect its rights to new oil exploration areas (1976MANILA11093; Urano 1997, 562; Waijiaobu 1995, 1336). Initially, the PRC did not respond to these actions by the Philippines, but Chinese press agencies hinted that the PRC might employ military force to reclaim its national rights to disputed islands occupied by Vietnam, the Philippines, and the ROC (Waijiaobu 1995, 1338).

As the Swedish-American-Philippine consortium moved forward with drilling at Reed Bank, the government of the Philippines enthusiastically trumpeted the results of oil exploration. On July 19 the Energy Development Board of the Philippines issued a "progress report" on drilling in Reed Bank, which appeared in the local press the following day. Front-page headlines announced that the Sampaguita No. 1 well drilled by Salen and Amoco had found "traces of oil."[8] During the Energy Development Board's presentation of this progress report to President Marcos on July 19, he personally assured Wilson Lee Newell of Amoco that Vietnam and China had committed to "not intervene" in Philippine drilling operations in the Reed Bank area. Marcos also claimed that he had personally spoken with the "American commander of the Pacific fleet" (though he did not specify the individual in question) and "received a commitment that American forces would protect American private interests in the area if necessary" (1976MANILA10762).

The Philippine stock market initially "reacted positively" to rumors of the announcement on July 19, but stock prices fell again when the actual report went public.[9] Trade sources were hardly excited about the news. Oil industry insiders flatly stated that recent reports about "oil shows" were "not interesting." On July 20, Amoco's representatives in the Philippines told U.S. embassy officials that the company "was discouraged with the results of the Sampaguita No. 1 drilling." Gas and oil traces had indeed been found, "and the drill stem testing might show just enough to get people excited." However, the geology of the structure indicated that it did not have "oil or gas of commercial quality in it." Amoco had no plans to drill the two additional wells called for by its service contract until the following year, but if drill stem testing at Sampaguita No. 1 was "at all positive," Amoco would "come under extreme pressure" from the government of the Philippines and local partners to drill sooner (1976MANILA10694).

This prediction proved well founded. On August 3, Marcos publicly announced that gas and oil condensates had started to flow from the drill stem testing at Sampaguita No. 1. This news boldly headlined all local papers as an "oil strike." U.S. diplomatic communications, by contrast, skeptically reported that Philippine authorities were "giving this news a bigger play than it actually merits in a technical sense." To oil industry observers, "this news is encouraging in that it proves hydrocarbon deposits in the area, but discouraging because it is generally presumed that a gas deposit would not be economically exploitable from the Reed Bank area." Despite these qualifications, news of the oil find motivated additional exploratory drilling and reinforced the Philippine government's "resolve to press its claim in the South China Sea" (1976MANILA11504).

Marcos and several other high-ranking officials flew over Reed Bank and reportedly observed gas and oil "flowing and flaring" from the exploration well. The state-owned Energy

Development Board lauded it as the second major discovery in the Philippines since the previous March, when the Cities Service Group struck oil at the Nido No. 1 well off Palawan. Philippine industry secretary Vicente Paterno predicted that these oil finds would make the Philippines largely self-sufficient in petroleum production by the early 1980s. A third boring to determine the strike's commercial value soon got under way. On August 6, 1976, Marcos ordered the Energy Development Board to step up exploration at Reed Bank. Operations intensified in 1977, as the consortium used the *Glomar Tasman* to drill two additional exploratory wells (FBIS-APA-76–153; FBIS-APA-76–155; FBIS-APA-76–157; FBIS-APA-77–024; Urano 1997, 562; Wu 2010, 133). Significant oil finds on other parts of the Palawan shelf in close proximity to Reed Bank seemed to underline the area's potential value and kept expectations for future oil exploration extremely high.[10]

To protect these potentially oil-rich territories, in late February and early March of 1978 the Philippines occupied one of the tiny islets near Reed Bank to bolster its military presence in the disputed area. A detachment of marines from the Philippines landed on Panata, little more than a sandbar but the only land in the Spratly Islands still unoccupied by any of the rival claimants. Military sources on Palawan related that a Philippine navy patrol craft escort had put ashore thirty-six troops from the Sixth Battalion based at Palawan's capital of Puerto Princesa. A fishing boat had gone to the barren island several days earlier and hoisted the Philippine flag without hostile reaction from Vietnamese troops on nearby islands. The operation was timed to coincide with northeastern monsoons, which made patrolling by the Vietnamese difficult. It also came just when troubles along its border with Cambodia were keeping Vietnam fully occupied.

International media coverage drew a direct link between the military action by the Philippines and controversies surrounding oil exploration at Reed Bank. According to a British news report,

> a Swedish-Philippine drilling consortium in 1976, which found oil in small quantities in the contested area of the Reed Bank, just east of the island garrisons, provoked claims of Chinese sovereignty from both China and Taiwan, whose positions on this issue coincide. Vietnam has come out with new maps—reproduced on postage stamps—showing the Spratlys, including the Reed Bank, as part of its territory. (FBIS-APA-78–043)

The lure of hydrocarbon resources spurred territorial claims, as well as beefed-up military presence on the tiny islets. As the news report concluded, "The reason for these expensive occupations is oil, believed to lie in the shallow seas surrounding the islets. Manila has already engaged at least one American firm in exploratory drilling, despite the efforts of the U.S. Embassy to discourage this" (FBIS-APA-78–043).

The disputed territory in the northeast Spratly Islands had turned into the scene of an accelerating and "potentially dangerous military buildup" on the part of Vietnam and the Philippines. At one point, a channel only a few hundred meters wide separated Vietnamese and Philippine forces. Vietnamese troops were already entrenched on three islands, which had been taken over in 1975 after the conquest of South Vietnam. The South Vietnamese garrison arrived in 1974 after PRC forces had pushed it off the Paracel Islands group (350 miles to the north). With the occupation of Panata, the Philippine flag flew over seven islands with a total land area of 100 hectares, five times the size of those held by Vietnam. Since World War II, a garrison of about five hundred Nationalist Chinese troops had held Itu Aba. The Philippines occupied territories in the Spratly Islands shortly after the earliest oil discoveries off Palawan in 1971, basing its claims on proximity. The Philippines had its main stronghold in Pag-asa, 277 miles west of Puerto Princesa. Panata had no vegetation whatsoever, and fresh water was shipped in from Pag-asa twenty miles to the north. With all the other islands too small for an airfield, Pag-asa boasted the only runway in the area, which ensured Philippine air control. The Philippines kept platoon-sized marine garrisons on six of the islands that it occupied, including Panata. About two hundred troops plus one hundred construction workers, fishermen, and weathermen lived on Pag-asa. In total, the Philippines stationed nearly one thousand marines in territories it occupied in the Spratlys. To strengthen its claims, the Philippines encouraged fishing enterprises on Pag-asa and planned for regular civilian flights to Pag-asa to begin in the near future.

Panata, the islet most recently seized by the Philippines, was over 40 miles from the main Vietnamese garrison on Pugad, which Hanoi had reinforced with heavy coastal and anti-aircraft guns. The Vietnamese fired at a passing Philippine aircraft in 1976, but there had not been any incidents since. President Marcos had reportedly reached a tentative agreement with Vietnamese foreign minister Nguyen Duy Trinh in January to settle disputes over the islands amicably, but military sources claimed that Marcos had also ordered costly measures to defend Philippine bases. Along with deploying marines, the Philippines reportedly planned to acquire a squadron of F8 fighters from the United States to join the C47 carriers and T28 bombers that flew patrols twice daily from Puerto Princesa (Mathews 1978; Scowcroft 1976). With their catapults and arresting gears, the F8 fighters "could land and take off from the island as if it were a big aircraft carrier" (FBIS-APA-78–043).

On its own, the Philippines lacked the military capacity to confront the PRC and Vietnam over claims in the South China Sea. The Philippines's willingness to risk conflict rested on the hope of military protection from its most powerful ally—the United States. In the words of General Freddie Poston, commander of the Thirteenth Air Force at Clark Air Base in the Philippines, "An oil strike in the Spratleys [*sic*] could precipitate a dangerous situation" (Kahin 1978). The Philippines firmly expected U.S. support if a conflict arose. The Philippine military put "constant pressure" on American forces at Clark Air Base to keep planes on standby alert in preparation for such an event, even though American commanders refused (Kahin 1978).

Because the 1951 Mutual Defense Treaty obligated the United States to support the Philippines against attack by another party, there was the possibility that a clash between the Philippines and another nation in the South China Sea could escalate and draw in the United States (Kahin 1978). According to State Department personnel, the Philippines was "aware that it would not be a match militarily for either China or Vietnam if one or both of these nations should attempt to clear Philippine forces out of the area." For this reason, Philippine leaders tried to get the United States to assert its defense obligations more clearly and put it on record as willing to defend Philippine claims in the Spratly Islands (1976MANILA11494). Philippine leaders knew that they were "flirting with danger on Reed Bank and their occupation of atolls in the Spratly group" and were "looking for maximum insurance from [the] U.S." (1976MANILA11355).

As a precondition for further negotiations over American military bases in the Philippines, Marcos asked in 1976 for a written guarantee that the United States would defend Philippine forces operating in Reed Bank. The request posed a dilemma. The Mutual Defense Treaty obligated the United States to respond to attacks against Philippine territory, islands, or "on its armed forces, public vessels or aircraft in the Pacific." President Gerald Ford's national security advisers worried that a negative response to the request from Marcos would complicate negotiations and lead to tighter restrictions on U.S. military bases, but an affirmative response would increase the possibility of tensions with the PRC and Vietnam. At the same time, "a forthcoming response might encourage Marcos to pursue his claims to the Spratlys more actively, and to use military force to protect such claims." In the end, the United States opted for a deliberately ambiguous reply, saying it "would consider Philippine units operating in the Reed Bank as covered by our Mutual Defense Treaty, '*as long as their presence is consistent with the provisions of the Mutual Defense Treaty, particularly Article I regarding peaceful settlement of disputes and refraining from the threat or use of force*'" (Scowcroft 1976). However, uncertainty about the U.S. position lingered. Some found it difficult to argue that the Mutual Defense Treaty's provisions had once covered Philippine-based operations of U.S. troops in Korea and Vietnam, but did not apply to a Philippine garrison in the Spratly Islands or their supply ships and planes (Kahin 1978). Other observers claimed that the United States, though worried by the possibility of a confrontation in the South China Sea, viewed the Philippine buildup in the Spratly Islands as a way to keep Vietnam's presence from spreading in the region (FBIS-APA-78–043; Mathews 1978).

The possibility of U.S. support—however slim it may have been—was enough to embolden the Philippines. In early March 1978, Philippine Under Secretary of Defense Carmel Barbero confirmed that troops had occupied Panata, giving the Philippines control over seven of the Spratly Islands. Unsurprisingly, the PRC denounced this action as an affront to China's national sovereignty. Only four days prior to a visit to Manila by PRC vice premier Li Xiannian, China had condemned the Philippines for seizing another island in the Spratly chain, but China's diplomatic leaders opted not to respond too assertively, because they thought doing so would escalate the situation. When asked about the occupation of Panata by the Philippines, a PRC Foreign Ministry spokesman replied that the June 14, 1976, communiqué protesting oil exploration in Reed Bank by the Swedish-Philippine consortium "still applied to the current situation" (FBIS-CHI-78–047).

To give the impression that it had not done anything to upset the status quo, the Philippines maintained that it had already stationed troops on the island for several years. Philippine officials thus denied that the takeover of Panata had taken place recently so as not to mar Chinese vice premier Li Xiannian's March 1978 visit to the Philippines, "but several knowledgeable sources reached in Manila say the government placed troops on the seventh island for the first time—or at least after a very long absence—within the last month" (Mathews 1978). When asked about the landing of Philippine troops on Panata during his visit to Manila, Li Xiannian averred that no trouble would occur between the Philippines and China over the Spratly Islands that could not be resolved peacefully (Urano 1997, 565; Wu 2010, 127).

Disappointing Results

Despite all the controversy surrounding Reed Bank, oil exploration in the area failed to measure up to the hype. Exploration encountered a serious setback in March 1978, when Amoco pulled out of the consortium after drilling two dry holes. Salen drilled a fourth test well (Sampaguita No. 2) in May 1978, but it was subsequently plugged and abandoned (FBIS-APA-78–043; Moore and Auldridge 1979, 47; Moore 1979, 59; *Oil & Gas Journal* 1979; Wu 2010, 133). In a radio interview broadcast on December 27, 1978, Swedish foreign minister Hans Blix related that four holes had already been drilled at a cost of $70 million Swedish crowns without finding oil. The Swedish partners paid $20 million of the total cost, with the remainder paid by Amoco. Earlier in the year, Amoco "had withdrawn from the operation, evidently unwilling to damage relations with China in view of improving U.S.-China relations." The U.S. State Department consistently advised American oil companies against drilling in the South China Sea, but Sweden's Foreign Ministry had not interfered with the activities of Swedish companies in the area. In Blix's estimation, Swedish companies did not need permission from Sweden's government, but only from the countries with jurisdiction over the areas they were interested in. According to the interviewer, "although this distinction might be difficult to explain to the Chinese, who also claimed Reed Bank, Blix said the Swedish company had apparently held that the government of the Philippines had supremacy over the area and had accordingly obtained permission from the Philippines." According to a news report, Blix had said that, "as the Swedish company concerned had not asked for advice, his Ministry had found no reason to give it, adding that he had no comment on [the] U.S. government's motives for giving such advice." Perhaps playing naive, Blix went on to say that "Sweden had not heard of any Chinese reaction to Swedish oil drilling on Reed Bank, and that if oil was found, it was not the Swedish State, but a Swedish company operating in the area, which was answerable" (BBC Summary 1979).

In early 1979, Salen drilled a fifth well, Kalamansi No. 1, on the Templar Bank. No carbonate buildup was encountered, and the well was plugged and abandoned. Salen undertook an evaluation of the entire area to determine future exploration plans. In August 1979, a British group, London and Scottish Marine Oil, farmed in for 20 percent, while another group, Filipino Partners, farmed in for 12.9 percent (*Oil & Gas Journal* 1979, 58; Valencia 1985, 82–83). In September 1980, the Philippine government's Board of Energy Development agreed to extend the working plan for Salen's contract in exchange for an option of up to 15 percent participation by the Philippines National Oil Company. In late 1981, the Philippines authorized Salen to begin drilling Sampaguita No. 3, alerting Philippine marines in the area to protect the drilling team (Valencia 1985, 83; Wu 2010, 134).

Over two years later, Salen's president, Henric Ankarcrona, acknowledged that it had met with minimal success in gas production from wells in the Reed Bank. The company was thus taking everything on a "well-by-well basis." Salen reduced its role to that of a participant, and the Canadian company Denison Mines took over as operator. When asked about the possibility of a liquid natural gas facility in the Reed Bank, Ankarcrona answered that it was still "a little too early to tell." Ultimately, commercially viable quantities of oil never appeared in Reed Bank in the 1980s, though all parties still believed the area to have good potential ("Salen Energy Spreads Operations Vertically" 1984, 88).[11] With commercial oil exploration on hold, international tensions waned.

Conclusion

As the history of disputes surrounding the Reed Bank area indicates, many of the preconditions for conflict—untapped resources, overlapping claims, willingness to deploy force, and outside powers with vital regional interests—have existed in the South China Sea from the oil crises of the 1970s up to the present day. Disputes surrounding Reed Bank have waxed and waned since, but they have not given rise to violent military conflict. In response to assertive actions aimed at gaining access to energy resources, political leaders and diplomatic actors moderated their behavior, refrained from deploying military force, and stressed the importance of peaceful resolution. Even when controversies flared, dialogues and negotiations occurred at various levels.

Although China never shied away from proclaiming its sovereignty over Reed Bank and the rest of the Spratly Islands, it appears to have placed its priorities elsewhere. Diplomatically, the PRC's relations with Vietnam had deteriorated significantly in the mid-1970s, while China was beginning to expand its ties with ASEAN, including the Philippines. The PRC was also engaged in a budding rapprochement with the United States, which open hostilities against the Philippines in the South China Sea would have placed in serious jeopardy. During the 1970s, moreover, the PRC's economy was relatively stagnant and China did not have anywhere near the demand for energy that it does today. Up until 1993, China remained an oil-exporting country rather than a net importer. Since the mid-1990s, however, the PRC's leaders have come to recognize China's dependence on oil imports and started to seek new energy sources in order to sustain China's expanding economy (Buszynski 2012, 142).

Militarily, China possessed a far less formidable navy in the 1970s than it has today. Given China's lack of economic and naval power at the time, the PRC did not have the willingness, the capacity, or even the need to assert its territorial claims. The situation in the 1970s stands in contrast to the current state of affairs. Over the past decade, the People's Liberation Navy (PLAN) has pursued expansion and modernization, creating a rising power asymmetry in the South China Sea that clearly favors the PRC. The South China Sea Fleet was the weakest Chinese fleet in the 1970s, but now it is equal or superior to others (Buszynski 2012, 142, 145–148; Ciorciari and Weiss 2012, 63; Emmers 2010, 121). The Philippines, as well as other Southeast Asian nations, have expressed concern about the shifting power balance and fear that the PRC's recently acquired naval capabilities will enable it to resolve the sovereignty issue militarily. Despite efforts to modernize and upgrade its military, the naval capabilities of the Philippines are weak compared to those of the PRC (Ciorciari and Weiss 2012, 63; Emmers 2010, 124). Nor can the Philippines count on external assistance to counterbalance China's naval capabilities. As in the Reed Bank disputes of the 1970s, the U.S. government has repeatedly stated that the Mutual Defense Treaty of 1951 does not cover Philippine-claimed territories in the Spratly Islands. U.S. policy toward the South China Sea holds critical significance, because only the U.S. Navy has the power to counterbalance the PLAN. But, the United States does not want to get involved in questions of sovereign jurisdiction. It is not clear how far the United States would go to support the Philippines, or any of its other allies, in the event of a conflict in the South China Sea (De Castro 2012, 217–218; Emmers 2010, 124).

Transnational resource competition involves a multiplicity of state and non-state actors with diverse interests. Today, as in the past, a multifaceted array of priorities and calculations inform these territorial disputes. The PRC's assertive behavior in the South China Sea risks compromising the image of China's "peaceful rise" that its government wishes to project. China may shy away from employing overt force for fear of a backlash from its Southeast Asian neighbors, as well as from the United States. For the region's smaller countries, overly assertive behavior risks not only possible military reprisals from China but also alienating a major trading partner. The Philippines faces an especially delicate balancing act. In 2010, China doubled its foreign investments in the Philippines and increased bilateral trade by 35 percent. In the near term, as Will Rogers has argued, “these potential political costs are likely to mitigate the prospect of overt conflict given the extensive ties among the countries in the region” (2012, 89). On the other hand, he adds, policy makers “should never underestimate the possibility for minor disputes to escalate beyond their control.” The Philippines has moved closer to the United States because of concerns about China’s competing claims to the Spratly Islands, and these moves have drawn Chinese criticism (Rogers 2012, 89).[12] More than anything, the increasingly fractious and potentially dangerous incidents like the one that occurred at Reed Bank in 2012 highlight the need for multilateral conflict avoidance mechanisms in the South China Sea that can institutionalize avenues for nonviolent cooperation (Emmers 2010, 125).

It is worth noting that competition for oil and natural gas in the South China Sea depends not only upon nation-states’ claims to these offshore energy deposits but also upon technological capacity to access these resources. Offshore oil and gas production often costs much more than production from conventional reserves. If exploitation of oil and natural gas deposits proves uneconomical, as with past ventures at Reed Bank, tensions are likely to fizzle out. Today, as in the 1970s, countries such as the Philippines depend upon foreign technology, expertise, and investment for marine energy exploration. The Philippines, Vietnam, and other claimants seek ties with foreign oil firms “both for commercial reasons and to give foreign partners a stake in the territorial disputes” (Ciorciari and Weiss 2012, 64). Multinational corporations like Salen and Amoco can spark tensions through pursuit of commercial opportunities and profit. When energy exploitation ventures appear unprofitable, corporations opt to withdraw.

Unlike in the 1970s, the PRC currently possesses the technology needed to produce deepwater petroleum and gas (Rogers 2012, 87–88). China’s offshore oil drilling capabilities introduce a new factor into the transitional dynamics of resource exploitation in the South China Sea. The Philippines and other Asian countries no longer have to look exclusively to Europe and America to obtain capital and technology via cooperative partnerships. Since 2012, Philex Petroleum Corporation, the controlling shareholder in Forum Energy, has engaged in talks with China National Offshore Oil Corporation (CNOOC) for possible joint development of Reed Bank’s natural gas deposits, an arrangement that could do much to ease tensions (Larano 2013; Reuters 2012). Nationalist sentiments in the Philippines and China, which tend to equate any form of compromise with sacrificing territorial sovereignty, present the greatest impediment to a negotiated solution.[13] While transnational agreement appears far off, there is no reason to rule out this possibility. The Reed Bank episode of the 1970s indicates that East Asian states possess awareness that aggressive competition for energy resources in the South China Sea—however vital they might be for sustaining economic growth rates—carries real risks. Even as they have engaged in sometimes assertive actions to gain access to limited resources and stubbornly asserted their territorial claims, actors have moderated their behavior in order to maintain the status quo and defuse tensions. Despite the existence of overlapping claims and increasing demand for energy, resource wars are hardly inevitable.

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Notes

1 Klare goes so far as to claim that, out of all the world regions he considers, "the South China Sea is the area most likely to witness large-scale warfare," because it possesses all the factors that he associates with resource conflict. "There is the evidence of untapped reserves of oil and natural gas, along with a complex mosaic of overlapping territorial claims. All of the states involved in these disputes seek to maximize their exploitation of marine resource zones, and all have demonstrated a willingness to employ force in the protection of offshore interests." All the states have also "beefed up" their naval and air force capabilities. What is more, the United States, China, and Japan "possess vital interests in the area and are prepared to defend these interests with military means if necessary." This perfect storm of factors greatly increases the probability of military confrontation. As he concludes, "Any such confrontation is likely to commence as a naval incident sparked by competing claims to one of the Spratly Islands" (Klare 2002, 136).

2 Rogers cites U.S. estimates of about 15.6 billion barrels of petroleum (of which about 1.6 billion are recoverable) and Chinese surveys estimating between 105 billion barrels and 213 billion barrels, with between 10.5 billion barrels and 21.3 billion barrels that are recoverable, in addition to high volumes of natural gas (2012, 87).

3 The Philippine government's Department of Agriculture and Natural Resources declared Reed Bank open for exploration and exploitation concession on June 23, 1970 (1976MANILA06139).

4 The Swedish consortium included Salen as general manager, along with Kema Nord, Swedish Match, and Oiexplo. In addition to Seafront, the Philippine partners consisted of Marsteel Corporation, Imperial Resources, Oriental Petroleum, Philippine Oil Development Company, Pacifica, and Jappract Mining and Industrial Corporation (1976MANILA01623).

5 The Sampaguita No. 1 well was drilled to a depth of 4,125 meters (13,530 feet) and yielded 3.7 million cubic feet (0.1 million cubic meters) of gas per day in the interval of

3,150–3,160 meters (10,332–10,365 feet) from Paleocene sands deposited under deltaic conditions. The well was soon plugged and abandoned, but it confirmed the existence of good source and reservoir rocks under Reed Bank, as well as a thick tertiary sedimentary section (Valencia 1985, 82; Wu 2010, 133).

6 Translation edited slightly based on the original Chinese version (Han 1988, 456).

7 Taiwan's diplomatic representatives believed that recent harassment of their mission in the Philippines, as well as the "closure of a popular Chinese-language TV and radio show featuring Taiwan stars and music," owed to the Philippine government's desire to obtain the PRC's agreement to its claim to the Reed Bank (1976MANILA11199).

8 The public report noted that "target depth of 13,500 feet has been reached and electric logging is about to begin followed by drill stem testing." The report also pointed to the existence of "hydrocarbon bearing zones" at a depth of approximately 10,000–10,400 feet, plus two other "interesting zones" at 11,200 feet and 12,700 feet (1976MANILA10694).

9 One unnamed trade source told the U.S. embassy that investors hoped that the report would push stock prices for Seafront and Imperial (two local members of the consortium) to 4 centavos per share, "whereupon very well-connected insiders planned to sell out." Unfortunately for the speculators, however, "the public did not rise to the bait" (1976MANILA10694).

10 The first well, which cost $3 million, was drilled in April to May 1977 to test a large structure with horizons correlative to the Eocene-Cretaceous sandstones that showed gas in Sampaguita No. 1. A second well with the same cost was drilled from May to August 1977 on the southeastern edge of Reed Bank to test a faulted anticlinal structure with horizons similar to the first well (Valencia 1985, 82). In February 1978 the Cities Service Group, a U.S.-Philippine consortium led by the American Cities Service, hit oil at over 7,000 feet at the West Nido well in the Palawan Sea, marking the fifth oil find in the previous three years in the vicinity. Officials from the Cities Service Group finalized a $30 million development program in March 1978 for commercial oil production at the Nido complex. Plans for development in the area included two more platforms from which crude oil could be blown through a subsea pipeline to a single oil storage system (Urano 1997, 564; FBIS-APA-78-046; FBIS-APA-77-208).

11 The Philippines Oil Development Company ultimately ceased operations in May 1982 due to a lack of capital (see Valencia 1985, 83).

12 The Philippines and Vietnam have both tried to strengthen ties with the United States as a way to counterbalance PRC naval power (Buszynski 2012, 149, 151; Ciorciari and Weiss 2012, 65).

13 Nationalist sentiments similarly hamper cooperative relations between China and Vietnam (Ciorciari and Weiss 2012).

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