

## EXECUTIVE SUMMARY

The paper gives a brief historical background of the territorial and maritime resource disputes between the Philippines and China in the Spratlys. It examines the measures taken by both sides, at the bilateral as well as multilateral arena, to build mutual trust and to contain the conflict through a confidence-building process. It then studies how the asymmetry in the power relations between the two sides have had an effect on the confidence-building process, and assesses the effectivity of CBMs from the Philippine perspective.

Relations between the two countries dived to their lowest point ever following China's occupation of and building of structures on Mischief Reef in 1995. However, rather than taking hostile action, both sides decided to embark on a confidence-building process. Early on, they agreed on a framework of continued mutual commitment to peaceful means of resolving disputes, reliance on dialogue and diplomacy and a common undertaking not to allow the dispute to affect the normal development of relations.

Intensive high-level exchange visits, including of military officials, took place between 1995 and 1999. Efforts to institutionalize and regularize consultations pertaining to the dispute led to the establishment of working groups to address separately the issues of fishing, marine environment protection and confidence-building. Outside of bilateral diplomacy, however, the Philippines also made use of its multilateral linkages to bring its grievance against China before ASEAN and its other key partners in the international community. Manila-Beijing dialogue on the dispute thus became paralleled by an ASEAN-China dialogue.

While the bilateral CBMs did initially help improve the overall atmosphere by reducing mutual suspicion, by 1998 there was no progress whatsoever on the question of the Mischief Reef itself. China had even upgraded its structures on the reef into what looked like military facilities. Frustrated, several Filipino leaders and politicians increased their anti-China rhetoric, and began to consider soliciting United States support against China through a strengthened Philippine-American alliance relationship.

The paper shows that while fundamental differences exist in the goals and approaches of China and the Philippines vis-à-vis their handling of the dispute, and despite the absence of any real progress on the resolution of the dispute, both find the confidence building process useful and continue to be committed to it. Asymmetry notwithstanding, their constant engagement through multi-level dialogues forces each side to justify to the other its policy and actions, emphasizes the importance of finding a "win-win" compromise, and, albeit incrementally, helps bind both parties to acceptable norms and principles of behaviour.