

The Role of Chinese Corporate Players in China's South China Sea Policy

XUE GONG

The growing pluralization of Chinese society has made China's foreign policy decision-making more complicated. As a result, traditional state-centric approaches to analysing China's foreign relations may no longer be adequate. A nuanced understanding requires attention to new actors in the formulation and conduct of the country's foreign affairs, including central state-owned enterprises (CSOEs). This article explores the increasingly important role played by Chinese CSOEs in Beijing's policy towards the South China Sea. It hypothesizes that although CSOEs are employed by the state as policy tools, they fulfil different roles in Beijing's South China Sea policy. Some CSOEs mobilize resources to influence state policy; some CSOEs proactively take advantage of state policy when opportunities arise; while other CSOEs are mostly policy takers. In the case of the last category, it is interesting to note that their activities are not just a demonstration of political subjugation to the state; they also combine state-directed political tasks with efforts to seek market opportunities. This article employs three case studies — tourism, energy extraction and infrastructure — to demonstrate how the roles of Chinese business actors vary in China's South China Sea policy.

Keywords: Chinese State-Owned Enterprises, South China Sea dispute, Chinese foreign policy.

XUE GONG received her PhD from Nanyang Technological University in May 2017 and is now a Research Fellow at the S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore. Postal address: 50 Nanyang Avenue, Block S4, Level B4, Singapore, 639798; email: isgongxue@ntu.edu.sg.

At the 18th Party Congress in 2012, the Chinese leadership set a strategic goal to transform China into a strong maritime power.¹ In July 2013, Chinese President Xi Jinping reiterated this ambition at the 8th collective study session of the Politburo of the Chinese Communist Party (CCP) Central Committee.² Thereafter, China began a sustained effort to reinforce its control over the land features it had occupied in the 1970s and 1980s and expand its presence in the South China Sea. Beijing reformed its maritime administrative system and strengthened the capabilities of the navy and maritime law enforcement agencies in order to protect and promote its perceived interests in the South China Sea.³ In 2013, China began to transform the seven atolls it controls in the Spratlys archipelago into large artificial islands equipped with extensive military infrastructure such as airfields, barracks, radars and communication systems. In mid-2014, the national oil company China National Offshore Oil Corporation (CNOOC) deployed the Haiyang Shiyou-981 (HYSY-981) drilling rig into disputed waters near the Paracel Islands, resulting in a severe confrontation with Vietnam. In July 2016, China rejected the ruling of an arbitral tribunal in a case brought by the Philippines against China in 2013 which had challenged the legal basis of Beijing's expansive claims in the South China Sea. In October 2017, at the 19th Party Congress, President Xi highlighted the "steady progress" that the artificial-island programme in the Spratlys had achieved and how this had helped the country safeguard its maritime rights.⁴ These events demonstrate that China has become more assertive in the South China Sea since Xi became General Secretary of the CCP in 2012.⁵

Scholars have attempted to explain Beijing's increasing maritime assertiveness from different perspectives. In general, however, their analysis has failed to fully address the role of domestic actors in China's South China Sea policy. As has been acknowledged by many China experts, the growing pluralization of Chinese society has made China's foreign policy more complicated.⁶ Traditional state-centric approaches to analysing China's foreign policy are no longer adequate to achieve a nuanced understanding of the country's external relations. It is necessary to pay more attention to the role of new actors in Chinese foreign policy, and in the case of the South China Sea in particular, the role of Central State-Owned Enterprises (CSOEs).

This article argues that Chinese CSOEs have become increasingly important actors in the formulation and execution of Beijing's policy

in the South China Sea. However, while all CSOEs are required to follow central government commands, their roles vary. Some actors mobilize resources to influence state policy and even pursue their own initiatives in the name of building a strong maritime nation in order to secure economic and political benefits. As such, they proactively align their business interests with the country's maritime interests and present themselves as defenders of the national interest. Other actors only respond when the central government provides policy incentives. When the policy environment appears favourable to their corporate objectives, they become very active in policy facilitation. Other state-owned enterprises are simply policy takers that serve as a political tool to undertake strategic tasks for the state. However, it is important to note that their activities are not just aimed at fulfilling political tasks given by the state; these companies also take advantage of their policy-taker role to maximize commercial opportunities.

Exploring the role of CSOEs in China's South China Sea policy is important for four reasons. First, it provides a new perspective for understanding China's policy towards the South China Sea. In particular, it helps us better understand Beijing's economic interests in the South China Sea, the pursuit of which often complicates relations between China and the Southeast Asian claimant countries, i.e. Vietnam, the Philippines, Malaysia and Brunei. Second, it helps disclose how CSOEs collaborate with one another and even local governments in exploring business opportunities in the South China Sea. Third, it helps us understand how the Chinese state utilizes the different capabilities of CSOEs to support its assertive foreign policy. Fourth, the domestic political economy perspective reveals many empirical nuances in the dynamics of the South China Sea dispute.

This article relies on case studies, interviews, quantitative data and archival materials to analyse the involvement of Chinese corporate entities in the South China Sea dispute. It should be acknowledged at the outset that information on Beijing's South China Sea policy is not easily accessible due to the opaque nature of the policy-making process in China. Moreover, it is also difficult to accurately determine how much financial support Beijing has provided to CSOEs to support its policy in the South China Sea. However, evidence from the three case studies examined in this article strongly suggests that Chinese CSOEs play an increasingly significant role in Beijing's South China Sea policy.

The Role of CSOEs in Beijing's South China Sea Policy

Examining China's post-2012 assertiveness in the South China Sea, many security experts have focused on the military and political dynamics to understand China's policy.⁷ However, the economic element — especially China's maritime economic interests — has been largely overlooked. According to Chinese official statements, the development of the maritime economy has become one of the country's top national priorities. Statistics from the State Oceanic Administration (SOA) show that from 2012 to 2016, China's maritime economy witnessed an average annual growth of 7.5 per cent; 0.2 per cent higher than the national economic growth over the same period. In 2016, the value of marine-related products reached 7.05 trillion yuan (US\$1.08 trillion), accounting for 9.5 per cent of the national economy.⁸ Accordingly, developing the natural resources in the South China Sea has become very important for China's economic development. Since the establishment of Sansha City as a prefecture of Hainan Province in Woody Island in the Paracels in 2012, business activities there have flourished. By 2017, a total of 216 companies had been established in Sansha in the areas of logistics, telecommunications, natural resource development, tourism, civil aviation and maritime technology.⁹ The airport on Woody Island handled over 680 flights from December 2016 (when commercial flights began) to December 2017.¹⁰ This shows that the business activities in the South China Sea can no longer be ignored.

The existing literature also emphasizes the significance of state-centric efforts to account for different aspects of Beijing's South China Sea policy.¹¹ However, scholars and analysts often fail to pay adequate attention to the role of non-state actors. It is true that some observers have attempted to trace China's assertiveness to various domestic actors, for example local governments, the maritime militia, the navy, energy companies, the media and even nationalistic groups.¹² However, such studies are rare and not systematic in that they only recognize the dichotomous functions of these domestic actors — either as policy shapers or policy takers in China's foreign policy¹³ — without taking account of significant variations in their actual roles.

While China and the Southeast Asian claimants trade barbs over sovereignty and jurisdictional issues, the reality is that some Chinese CSOEs have been quietly engaging in economic activities in the South China Sea. For example, the tourism industry generally

regards regional tensions and conflict as bad for business. However, some actors, such as the China Oceanic Shipping Company (COSCO) and the China Travel Service Group (CTSG), became very responsive when the state declared policy support for maritime-related industries in the South China Sea that included tourism, despite the fact that they understood this policy would almost certainly generate tensions in the South China Sea. Some actors, like CNOOC, have mobilized resources in an effort to influence state policy by aligning their business interests with the state's maritime interests and presented themselves as defenders of the national interest. For some CSOEs, such as the China Communications Construction Company Ltd. (CCCC), the construction of facilities on land features occupied by China became a political task to serve Beijing's South China Sea policy and strengthen China's presence in the disputed waters.¹⁴

In order to understand Beijing's policy in the South China Sea, it is important to understand the relationship between the state and CSOEs. In China, the special state-business relationship suggests that CSOEs are subordinate to the state. The CCP's Organization Department appoints CSOE executives, quite a number of whom may hold ministerial or vice-ministerial ranks, while some even serve as alternate members of the Party's Central Committee.¹⁵ In general, CSOEs survive and prosper because they enjoy connections to state power and benefit from state-backed preferential policies.¹⁶ For example, many CSOEs enjoy favourable access to bank loans and low-interest financing because of their privileged status vis-a-vis the state.¹⁷ Because of these unique ties, Chinese CSOEs are often required to serve the interests of the state at all levels. Although business actors do not seek to dictate state policy, the scope and magnitude of their activities inevitably has an impact on China's actual behaviour in the dispute and consequently on regional security.¹⁸ Also, the state can mobilize CSOEs to safeguard China's interests in the South China Sea by utilizing the capabilities and resources of these companies.

However, the unique role of CSOEs as a strategic tool in China's external relations does not mean that they completely ignore commercial incentives as CSOEs are also tasked to maximize corporate revenues, and many of their investment decisions are guided by market principles. CSOEs often use national interests as pretexts to maximize their own economic interests. When both interests are convergent, CSOEs will be more proactive in working with state agencies and participating in China's foreign affairs. For

the corporate actors, the best case scenario is to enjoy state support — which advances their commercial interests — while fulfilling the political requirements of the state. Such state support would include favourable loans and credit guarantees for large business deals, particularly in strategic sectors.

Chinese CSOEs and the state share similar visions and interests in the South China Sea. Chinese policymakers and CSOEs are both motivated by nationalistic sentiments and are interested in strengthening China's territorial and jurisdictional claims there. For instance, these companies had the political acumen to lend their support to the nation's sovereignty claims when China decided to establish Sansha City. They either pledged donations or invested in Sansha to demonstrate their patriotism.¹⁹ Another good example is CSOE's attitude towards the 12 July 2016 arbitral tribunal ruling on the South China Sea. On the same day that the ruling was announced, the official portal of the State-Owned Assets Supervision and Administration Commission (SASAC) published an article that praised CSOE's involvement in the South China Sea.²⁰

There are also differences in the ways CSOEs respond to the policy needs of the state. Some actors appear more skillful and capable of mobilizing resources to influence state policy. They align their business interests with the state's maritime interests and present themselves as defenders of the national interest through developing certain key technologies in the maritime domain, making media statements and even engaging in lobbying activities. Some state business actors only respond actively to commercial opportunities when the state issues policy incentives. When the policy environment becomes favourable for aligning their organizational interests with the national interest, they become active in policy facilitation. Other CSOEs are policy takers who help China strengthen its control over land features or assert jurisdiction over the contested waters. However, their involvement is not just to fulfil political tasks; at the same time, they also seek to expand their business activities. The CSOEs' general supporting role to the state and their somewhat different tactics are described and analysed in the following three case studies.

Case Study I: The Role of China's Tourism Industry in the South China Sea

Before 2012, the Chinese government was reluctant to support tourism in the South China Sea for several reasons. First, it was

the government's policy to refrain from encouraging tourism in the South China Sea in order to maintain regional stability.²¹ According to Dai Bing from the China Tourism Academy, developing tourism in the Paracels was regarded as a sensitive political and diplomatic matter because doing so might damage China's image and relationships with its neighbours.²² Second, developing tourism in the South China Sea required coordination with several other actors such as the Ministry of Foreign Affairs, the business community and the military, which had not been the case.²³ Third, China was not prepared to open up the islands under its occupation to tourists because of the geological limitations of these land features, environmental issues and security concerns. In light of these considerations and constraints, Beijing decided to develop tourism in the South China Sea in a limited manner, only allowing for small-scale cruise tourism.

At the same time as the government was demonstrating caution in its South China Sea policy, China's cruise industry was encountering bottlenecks in the market which prevented it from operating in the South China Sea. Therefore, the cruise companies limited their activities to China's coastal waters. There were three major explanations as to why Chinese cruise companies were conservative in their business operations. First, despite China's long coastline and multitude of island chains, tourist facilities near these areas were rather limited. Industrialization in China's coastal provinces had degraded the quality of water and this prevented activities such as snorkelling, fishing and surfing. Although the coastal waters of Hainan Island provided a relatively good environment for cruise ships, fierce competition among industry players had led to the overdevelopment of those waters. Partly because of this, Chinese tourists began to develop an interest in the Paracels and used small private tourism companies who often bypassed state regulations. As a result, these companies suffered casualties due to bad weather conditions or inadequate safety measures, financial losses, law enforcement interference from the other claimant countries and even diplomatic protests. In this regard, it was a priority for Chinese companies and the government to develop new maritime resources for the tourism industry to meet market demand.

Second, the cruise industry in China encountered a dilemma: overcapacity at the low-end of the market and shortages at the high end.²⁴ The global financial crisis of 2008–9 had also starved the industry of financial resources. For example, it was difficult

for cruise ship companies to obtain loans from Chinese banks, and the government refused to provide subsidies.²⁵ The situation led some experts to call on the government to develop more supportive policies for the industry. As the Chinese economy continued to grow, more and more Chinese citizens became interested in taking cruises, accounting for over 40 per cent of the Asian market.²⁶ But supply continued to fall short of demand because the Chinese cruise industry lacked the core technologies, management skills and national support needed to build an industrial chain of its own.

Third, China's cruise industry also faced institutional barriers that delayed its development. According to the *Rules of the Customs of the People's Republic of China for the Administration of the Levying of Duties on Imported and Exported Goods*, the purchase of foreign cruise ships would incur duty rates as high as 27.35 per cent, which inevitably increased operational costs for the whole industry.²⁷ China's domestic cruise industry also faced strict quota requirements for recruiting foreign crews.

China's cautious policy on tourism in the South China Sea began to change in 2009 when the State Council issued *Several Opinions on Promoting the Development of Hainan International Island for Tourism*.²⁸ The tourism industry began to show progress when the cruise ship *Coconut Fragrance* (purchased from Japan) undertook a trial cruise in April 2012.²⁹ It was run by an SOE based in Hainan which aimed to promote tourism in the Paracels.

The State Council's 2012 policy document *Provisions on the National Marine Functional Zonings (2011–2020)* proved to be a turning point for tourism in the South China Sea.³⁰ The document stipulated that the state supported the development of the maritime sector in the Paracels and Spratlys.³¹ At the Politburo's 8th Study Session in 2013, President Xi called for further efforts to improve the management of maritime development.³² Thereafter, the Ministry of Transport issued *Guiding Opinions on Promoting the Sustainable and Healthy Development of the Cruise Industry* in 2014.³³ The State Council also issued the *Notice of Issuing the 13th Five-Year Plan on Developing and Planning of the Tourism Industry* in December 2016.³⁴ All of these policy documents shared a common objective: to develop the cruise industry. Because of the clear policy support from the central government, Chinese cruise companies began to initiate operations in the South China Sea.

Further incentive policies from the state began to change the dynamics of the cruise industry and even the industry's interest and involvement in the South China Sea. Taking advantage of state

support, a few Chinese companies opted for collaboration among themselves to break into the domestic cruise market monopolized by foreign companies. According to Liu Junli, the Manager of CCCC Oceanic Investment, a subsidiary of CCCC, it was necessary for CSOEs to develop China's cruise industry and overcome the technological advantages enjoyed by foreign cruise companies.³⁵ In August 2015, CTSG, CCCC and Sanya City signed a collaboration agreement. In April 2016, COSCO created the cruise company Sanya Cruise Development Corporation in partnership with CTSG and CCCC. The *Nanhai Zhimeng* (the South China Sea Dream) cruise began to operate from Sanya to the Paracels in December 2016.

Chinese business actors have also been working closely with the provincial government of Hainan to evaluate the commercial viability of building more cruise ships and expanding cruise services. There is a consensus among Chinese companies and the local government that developing tourism in the South China Sea will boost the development of infrastructure on the islands, generating revenue for both the local government and residents.³⁶

These activities suggest that these CSOEs were able to take advantage of the state's incentive policies for commercial purposes. It is in the commercial interest of China's tourism industry to become involved in the South China Sea for several reasons. First, it is crucial for any cruise company to start early so as to be better positioned for future competition. These CSOEs, for instance, understood that collaboration among themselves could help enhance their competitiveness, thereby contributing to the development of tourism in the South China Sea. CCCC's experience in infrastructure development such as ports and transportation could enhance the "hard" aspects of tourism development. The CTSG was expected to contribute to the "soft" aspects of tourism development by overseeing programme planning and service provision for tourists interested in the South China Sea. COSCO had the necessary expertise in shipping management and operations to enhance the management and training of Chinese cruise ship crews. According to Zhang Xuewu, the Chairman of the Board of CTSG, his corporation and China State Shipping Corporation (CSSC) collaborated for the purpose of developing various high-end cruises to meet demand for routes in the South China Sea and along countries included in President Xi's Belt and Road Initiative.³⁷

Furthermore, the development of tourism in the disputed waters of the South China Sea also created opportunities for the development of cruise terminals in cities in Hainan Province and

ports in Sansha City. Traditionally, foreign companies would dock their ships in densely-populated cities such as Shanghai and Qingdao. Recognizing that Hainan and even Sansha City could become a hub for tourism connecting Northeast and Southeast Asia, the three CSOEs sought to collaborate with Hainan Province to develop the Sanya cruise terminal.³⁸

Finally, since the Chinese government emphasized the importance of exploiting tourism resources in the South China Sea, the CSOEs became interested in expanding their civilian activities in disputed maritime areas. During the exhibition of China Nanhai Cruise, Xu Lirong, the Party Chairman and CEO of COSCO, reiterated that developing South China Sea tours was part of the company's mission to promote social-industry clusters that would combine real estate, maritime education and hotel management. In the future, the company would seek opportunities to expand its business operations from the Paracels to Taiwan and other islands in neighbouring countries as part of China's Maritime Silk Road Cultural Tour.³⁹

The tourism industry also believes that the development of tourism in the South China Sea is one of the most effective ways to strengthen China's sovereignty claims. According to a senior manager in the industry, "tourism in the South China Sea needs policy and financial support from the government. The central government should provide sufficient services and coordinate the relationships between the tourism sector and other industries." He also suggested that operating cruises was a "soft claim of sovereignty", unlike Chinese fishing boats that can easily be detained and surveillance ships that provoke diplomatic disputes. "Therefore, tourism in the South China Sea carries much weight in national security and should receive support from all levels of government."⁴⁰

To secure popular support for its business activities in the South China Sea, cruise companies also provide patriotic education for nationalistic purposes. For example, registration for the Nanhai Cruise is limited to Chinese citizens because the trip includes a flag-raising and patriotic vows ceremony. The development plans are based on the assumption that promoting tourism is conducive to China's territorial and jurisdictional claims in the South China Sea. By June 2016, over 10,000 Chinese tourists had joined these tourism programmes, mainly in the Paracels.⁴¹ Such tours are gaining popularity among the general public, especially since the arbitral tribunal issued its "unjust" ruling in July 2016.

Case Study II: Revisiting the National Oil Companies' Role in the South China Sea

The Chinese national oil company CNOOC has long aspired to expand its commercial operations in the South China Sea so as to secure access to potentially large energy reserves.⁴² In 1992, the US company Crestone signed a contract with CNOOC to develop the Wan-an Bei 21 block near the Spratly Islands. However, owing to rising tensions between Vietnam and China, the project was suspended.⁴³ In 2005, Beijing directed CNOOC to partner with the state-owned Philippine National Oil Company and its Vietnamese counterpart PetroVietnam to conduct a joint seismic survey in an area of disputed waters near the Spratlys. However, the Sino-Philippine-Vietnam Joint Marine Seismic Undertaking (JMSU) was allowed to lapse in 2008 due to lack of trust, strategic concerns and claims of corruption in the Philippines.⁴⁴

Given persistent tensions and political sensitivities in the South China Sea, CNOOC was reluctant to begin commercial activities in the disputed waters without backing from the state for several reasons. First, exploring and developing natural resources in the South China Sea without political support would damage CNOOC's business interests.⁴⁵ As a publicly-listed corporation since 2001, CNOOC is expected to protect shareholders' interests. Second, CNOOC lacked the technological capabilities to begin operations in the deep waters of the South China Sea. Traditionally, CNOOC had only been involved in drilling operations in coastal waters. To diversify its business portfolio, CNOOC had expanded its onshore and downstream businesses and engaging in high risk projects in the South China Sea was not a priority. Third, CNOOC was cautious about entering the South China Sea because of unproven energy reserves.⁴⁶

However, CNOOC's business logic was questioned by Chinese citizens. Chinese scholars criticized CNOOC for not developing resources in the South China Sea while Vietnam and other countries were benefitting from the exploitation of energy resources there.⁴⁷ Facing mounting pressure from the public, in 2008 CNOOC declared that it would invest approximately US\$32 billion to develop energy resources in the South China Sea.⁴⁸ A former CNOOC official even suggested that Chinese national oil companies should cooperate and even partner with foreign companies in the South China Sea.⁴⁹ Given the high business risks, the state should finance and expand CSOs' resource exploration projects in the South China Sea.⁵⁰ In 2008, during the National People's Congress (NPC), Song Enlai, a

senior manager at CNOOC, urged the government to refine its policy and finance the development of maritime natural resources in the South China Sea to “safeguard China’s rights”.⁵¹ Chief Editor Wang Peiyun from *CNOOC News* — which is affiliated to CNOOC — also suggested that resource development was necessary to defend China’s maritime territory in the South China Sea.⁵² Even professionals from other oil companies and NPC members advocated state support for developing hydrocarbons in the South China Sea.⁵³

Although CNOOC faced domestic pressure to begin operations in the South China Sea, economic reasons provide a better explanation of why it began to develop a stronger interest in the area. First, China’s rapid economic growth over the past few decades has created a demand for oil and gas resources that can only be met by foreign imports. High demand for energy resources has driven the national oil companies to venture abroad or explore under-developed areas in China.⁵⁴ In 2009, China’s oil imports met 51.3 per cent of the country’s demand.⁵⁵ It was the first time that China’s oil imports had accounted for more than 50 per cent of its oil consumption. Most of China’s crude oil imports are sourced from the Middle East and East Africa, and must pass through the narrow Straits of Malacca between Indonesia and Malaysia. Many Chinese security analysts view the straits as a strategic vulnerability, especially in the event of a Sino–US conflict.⁵⁶ With nearly three-quarters of its oil imports passing through the straits, the so-called “Malacca Dilemma” has clearly influenced China’s energy security calculations.⁵⁷

Second, as its business is largely limited to offshore areas, CNOOC faces competition from the two other national oil companies: the China National Petroleum Corporation and the China Petrochemical Company (parent company of Sinopec). As its name suggests, CNOOC’s activities are concentrated in offshore fields, such as those in Liaodong, Bohai and Beihai. CNOOC was initially reluctant to expand into the South China Sea, and only changed its position when CNPC obtained permission from the government to explore blocks in the South China Sea in 2004 and after Sinopec had submitted its application for permits in the same year.⁵⁸ Besides domestic competition, CNOOC also faces difficulties in the East China Sea, where Japan and China are in dispute over sovereignty of the Senkaku/Diaoyu Islands.⁵⁹ Concerned about competition, and hoping for market expansion, CNOOC executives lobbied the government for support in the name of safeguarding territorial sovereignty in the South China Sea.⁶⁰

At the same time, CNOOC opted to collaborate with other partners to develop the technology required for deep-sea drilling. In 2006, CNOOC staff were sent to the Shanghai Waigaoqiao Shipbuilding Co. Ltd. — which was an affiliate of the CSSC — to explore the feasibility of building a deep-water drilling rig.⁶¹ After discussions and consultations with CSSC, the Ministry of Land and Resources, and the Chinese Academy of Sciences, in 2006 CNOOC invested approximately US\$1 billion to construct HYSY-981.⁶² The development of HYSY-981 was supported by government agencies such as the National Development Reform Commission (NDRC) and the Ministry of Science and Technology. It soon attracted the attention of the top leadership. Former CNOOC CEO Fu Yucheng made a report to then Chinese President Hu Jintao on HYSY-981 when he visited Qingdao in 2009.⁶³ In 2010, CNOOC announced that it would invest 200 billion yuan (US\$30.75 billion) over the next 20 years to build another “Daqing” field (Daqing is the largest oil field in China) in the South China Sea.⁶⁴ Furthermore, in response to CNOOC’s request, the local government of Hainan pledged to provide the energy company with law enforcement ships to protect its off-shore projects.⁶⁵

Attempts to secure state support proved successful. In 2011, the State Council issued the *Decision on Amending the Regulation on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises*.⁶⁶ In July 2012, the State Council issued the *12th Five-Year Plan for the Development of National Strategic Emerging Industries*, in which the state attached great importance to developing the capabilities of deep-water resource exploitation technology by 2015.⁶⁷

Policy support from Beijing helped promote CNOOC’s activities in the South China Sea. In 2012, CNOOC launched the “Second Leap Forward” programme for exploring and developing the maritime oil industry, with an emphasis on developing resources in the deep waters of the South China Sea.⁶⁸ In addition, CNOOC began to invite foreign companies to bid for oil exploration and exploitation projects in disputed areas of the South China Sea.⁶⁹ According to Dr (Major) Jiang Chunliang from the PLA Academy of Military Sciences, CNOOC issued these tender proposals because it had been assured of state protection.⁷⁰ As its capabilities continue to grow, China will protect its own enterprises so as to safeguard its maritime interests. This is not just about sovereignty but also about the opportunities for developing China’s energy industry.⁷¹

With clear signals of support from the state, CNOOC began to prepare itself to align its own interests with the nation's maritime interests. In 2012, CNOOC reported that "developing oil and gas in the South China Sea is not only in CNOOC's business interests but also helps defend the country's maritime sovereignty and safeguard its national interest".⁷² CNOOC Senior Executive Wang Yilin went as far as to describe HYSY-981 as "mobile sovereignty" and a "strategic weapon" to promote the development of China's offshore oil industry.⁷³ Wang also reiterated President Xi's remarks on developing China into "a great maritime power" to justify CNOOC's efforts to enhance its deep-water exploration capabilities. In Wang's words, "Deep water is not only an important alternative area for our oil and gas resources but also a premium position for protecting our maritime rights."⁷⁴ In 2013, CNOOC organized a lecture series for its employees that included the topic of maritime rights protection, whereby the company's new policy move was touted as safeguarding "sovereign oil".⁷⁵

Soon after the 2014 HYSY-981 incident, the State Council issued its *Energy Development Strategy Action Plan (2014–2020)* which called for a "steady increase in domestic oil production, strengthening oil and gas exploration and development in the Bohai Sea, the East China Sea, the South China Sea and other coastal areas, and break through deep-sea oil extraction technology and equipment manufacturing capacity to increase offshore oil and gas production".⁷⁶ Addressing an enquiry from the State Council in 2015, Zeng Hengyi, the Vice-General Engineer of CNOOC, suggested that his company was already treating the development of resources, safeguarding sovereignty and the construction of islands in Sansha as an integral programme.⁷⁷

CNOOC appears more skillful and capable of mobilizing resources to influence state policy by aligning its business interests with the state's maritime interests and presenting itself as a defender of China's national interests. National oil companies such as CNOOC, which enjoy state support at all levels, will likely continue to be a significant player in Beijing's South China Sea policy.

Case Study III: The Role of Infrastructure Corporations

Since 2013, China has executed a massive land reclamation and infrastructure building programme on the seven features it occupies in the Spratlys. These artificial islands have enabled China to strengthen its military presence in the South China Sea, thus raising

security concerns in neighbouring countries and beyond. During the construction of these man-made islands, the CCCC played a prominent role as a policy taker.

The Chinese state employed CCCC to undertake this strategic task for several reasons. First, CCCC has strong technical and construction capabilities as well as better access to bank loans and lower financing costs than its competitors. Second, the company enjoys a strong reputation in the maritime infrastructure industry, including deep-water channel construction and reclamation projects. Third, through acquisitions and mergers, CCCC has been able to consolidate its business and enjoy a large share of the infrastructure market by reducing supply chain costs and by acquiring technological capabilities from other CSOEs. Fourth, in order to enhance its competitiveness in maritime development, CCCC has skilfully developed collaborative ties with other companies and local governments. One such company is Tian Jing (Sky Whale), a cutter-suction dredging company which played a critical role in building the artificial islands in the Spratlys and which is owned by CCCC. The dredging vessels used by Tian Jing were built by the China Merchants Industry (Shenzhen) which is affiliated to the China Merchants Group, another CSOE. In 2017, CCCC, together with other CSOEs such as CSSC, launched the Tiankun, the largest and most advanced dredging vessel in Asia.⁷⁸

Owing to the limited availability of official data, it is difficult to ascertain the financial returns that CCCC and other companies obtained from the construction of China's man-made islands. However, according to the *International Financial News* (affiliated to the *People's Daily*), the estimated cost of reclaiming and building facilities on one of the seven features, Fiery Cross Reef, was 73.6 billion yuan (US\$11.4 billion).⁷⁹

Compared to the previous two case studies in this article, CCCC has placed less emphasis on its business activities being used to advance China's national interest. Despite being a significant policy taker in fulfilling state-initiated projects, CCCC also capitalized on the call from the state to diversify its investment portfolio. This was because of the current economic situation where overcapacity in the construction sector cannot satisfy the growth needs of CSOEs in the industry. Driven by demand for future development, CCCC began to undergo an internal restructuring in order to enhance its competitiveness. According to its Board Director Liu Qitao, CCCC has transformed itself from a mere contractor to a developer, investor, operator and service provider of real estate in the maritime sector.⁸⁰

CCCC has benefitted from the construction of artificial islands in the Spratlys in several ways. First, CCCC has been able to capitalize on China's aspiration to become a strong maritime nation.⁸¹ In order to demonstrate its determination to become a major player in the country's maritime development, in 2015 CCCC merged three major dredging firms into one company, the CCCC Dredging Company Limited, thereby improving its already advanced dredging capabilities and contributing to the country's maritime security interests.⁸²

Second, CCCC emphasized its commitment to China's maritime strategy of developing the South China Sea⁸³ and the national policy of enhancing civil-military collaboration by developing Sansha City.⁸⁴ To achieve its goal, CCCC collaborated with the Hainan provincial government. According to the Board Director of CCCC, Mr Liu Qitao, it is strategically important for Hainan Province to strengthen civil-military cooperation. Therefore, CCCC would continue to engage in Hainan's economic development and play a major role in resource development in the South China Sea. He further added that CCCC would bear the responsibility of achieving development according to the expectations of the state and society.⁸⁵ Historically, CCCC has reaped benefits from its business expansion in Hainan,⁸⁶ evolving from a mere contractor into a multi-sector conglomerate that has business interests in real estate, infrastructure, resource development services and other fields (see Case Study I for its role in tourism in the South China Sea). In return, the Hainan government has demonstrated its support for CCCC, and promised to provide the "best resources, a first-class business environment and living environment" for the company which it regards as a valued investor.⁸⁷

Third, other than land reclamation in the Spratlys, CCCC is active in developing other businesses. CCCC Ocean Investment was set up in 2016 to advance the development of the maritime economy for Hainan Province and in the South China Sea by concentrating on the development of four major business sectors: cruise tourism; real estate; the development of resources and related services in South China Sea; and infrastructure construction.⁸⁸ CCCC Ocean Investment, together with its investor CCCC, has attached more importance to resources development and the service sector in the South China Sea and decided to further engage with the Sansha City government. For example, in December 2012 CCCC and Sansha signed a Strategic Cooperation Framework Agreement to establish the CCCC (Sansha) Development and Construction Co. Ltd. and

Sansha Nanhai Dream Travel Cruise Co. Ltd. in 2016. According to the Municipal Governor of Sansha, Xiao Jie, the development of significant construction projects on Tree Island in the Paracels and permanent docking terminal for fishing vessels in Sansha is very important for the development of the marine economy along the Maritime Silk Road.⁸⁹

According to CCCC, the establishment of CCCC (Sansha) Development and Construction is expected to benefit the company in the long term. It can help synergize CCCC's different business interests, which include offshore infrastructure construction and maintenance, fisheries, offshore tourism development, and logistics services for activities on the islands and reefs. CCCC aims to invest over 100 billion yuan (US\$15.4 billion) over the next five years to expand its business operations in all of these sectors. The company's ambitious investment plan stems from the fact that it has quietly benefitted from land reclamation in the South China Sea through implementing national tasks and its long history of business in Hainan, technological collaboration with other companies and its diversified businesses in the South China Sea in the past.

Conclusion

Chinese corporate entities have played an increasingly important role in the execution of China's policy in the South China Sea since 2012. In order to achieve a deeper understanding of this policy, we need to examine the role of Chinese CSOEs. The three case studies presented in this article — tourism, energy and infrastructure — demonstrate that Beijing has utilized CSOEs to strengthen its sovereignty claims and expand its presence in the South China Sea. In general, these corporate actors neither play an entirely independent policy role nor do they decisively shape China's policy in the South China Sea.

There are also differences in the ways that CSOEs and the state interact. Some actors, for example CNOOC in the energy sector, appear more skilful and effective in mobilizing resources to influence state policy, while some actors, such as enterprises in the tourism industry, respond only when the state provides incentives. Other corporate actors, for instance CCCC in the infrastructure sector, are mostly policy takers. Their activities are also indirectly related to the business opportunities that they are keen to pursue.

With the overriding political objective of strengthening its territorial and maritime jurisdictional claims, China will continue

to support CSOE activities in the South China Sea. And so long as their business interests converge with the country's national interests, CSOEs will maintain their support for China's assertive policy in the South China Sea. Thus we can expect Chinese CSOEs to continue playing a significant role in the dispute for the foreseeable future. As China's commercial interests and economic presence in the maritime domain grow, Beijing may be incentivized to use even more assertive military, law enforcement and political means to protect its expanding economic and maritime interests, further complicating the South China Sea dispute.

NOTES

- 1 "Liu Cigui: Shibada baogao shouti 'haiyangqianguo' juyou zhongyao xianshi he zhanlue yiyi" [Liu Cigui: The 'Strong Maritime Nation' Introduced in the Report of the 18th Party Congress of CCP has Realistic and Strategic Significance], *Xinhua Net*, 10 November 2012, available at <http://www.xinhuanet.com/politics/2012-11/10/c_113656862.htm?prolongation=1>.
- 2 "Xi Jinping zai zhonggong zhongyang zhengzhiju dibaci jiti xuexi shi qiangdiao jinyibuguanxin haiyang renshi haiyang jinglue haiyang tuidong haiyang qianguo jianshe buduan qude xin chengjiu" [At the 8th Collective Study Session of the Politburo, Xi Jinping Emphasized the Need to Further Understand Maritime Knowledge, Strategy, Promotion and Maritime Power, to Make Continuous Achievements], *Renmin Ribao* [People's Daily], 1 August 2013, available at <<http://cpc.people.com.cn/n/2013/0801/c64094-22402107.html>>.
- 3 *Zhongguo yuye nianjian* [China Fisheries yearbook] (Beijing: Zhongguo nongye chubanshe [China Agriculture Press], 2015), p. 31.
- 4 "Xi Jinping: Juesheng quanmian jiancheng xiaokang shehui duoqu xinshidai zhongguo tese shehuizhuyi weida shengli-zaizhongguogongchandang dishijiuci quanguo daibiao dahuishang de baogao" [Xi Jinping: Building a Welfare Society in an All-Round Way, and Winning a New Era with the Chinese Characteristic Socialism: A Report at the 19th Party Congress of CCP], *Zhongguo zhengfuwang* [Chinese Government Network], 27 October 2017, available at <http://www.gov.cn/zhuanti/2017-10/27/content_5234876.htm>.
- 5 Ian Storey, "China Pushes on the South China Sea, ASEAN Unity Collapses", *China Brief* 12, no. 15 (3 August 2012); Michael Yahuda, "China's New Assertiveness in the South China Sea", *Journal of Contemporary China* 22, no. 81 (January 2013): 446–59; Carlyle Thayer, "Chinese Assertiveness in the South China Sea and Southeast Asian Responses", *Journal of Current Southeast Asian Affairs* 30, no. 2 (2011): 77–104; Alastair Iain Johnston, "How New and Assertive is China's New Assertiveness?", *International Security* 37, no. 4 (Spring 2013): 7–48.
- 6 Yufan Hao and Su Lin, "Zhongguo waijiao juece: kaifang yu duoyuan de shehui yinsu fenxi" [An Analysis of China's Diplomatic Decision-making: Openness and Diverse Social Factors] (Beijing: Social Sciences Academic Press, 2007);

- Yaqing Qin, "Zhutijian renzhi chayi yu zhongguo de waijiao juece" [Inter-subject Cognitive Differences and China's Diplomatic Decision-making], *Waijiaopinglun* [Foreign Affairs Review] 4 (2010): 3–7; Linda Jakobson and Dean Knox, "New Foreign Policy Actors in China", SIPRI Policy Paper, no. 26 (September 2010), available at <http://lindajakobson.com/wp-content/uploads/bsk-pdf-manager/5_JAKOBSON_KNOX_SIPRI_PP26.PDF>.
- ⁷ Leszek Buszynski and Iskandar Sazlan, "Maritime Claims and Energy Cooperation in the South China Sea", *Contemporary Southeast Asia* 29, no. 1 (April 2007): 143–71; Mingjiang Li, "Reconciling Assertiveness and Cooperation? China's Changing Approach to the South China Sea Dispute", *Security Challenges* 6, no. 2 (Winter 2010): 49–68; Michael Swaine and Taylor Fravel, "China's Assertive Behavior, Part Two: The Maritime Periphery", *China Leadership Monitor* 35 (Summer 2011); Stephanie Kleine-Ahlbrandt, "Choppy Weather in the China Seas", *Le Monde Diplomatique* (December 2012); Edward N. Luttwak, *The Rise of China vs. The Logic of Strategy* (Cambridge, Massachusetts: Harvard University Press, 2012); Irene Chan and Mingjiang Li, "New Chinese Leadership, New Policy in the South China Sea Dispute?", *Journal of Chinese Political Science* 20, no. 1 (March 2015): 35–50; "Truth Behind Chigua Reef Construction", *Global Times*, 11 September 2014, available at <<http://www.globaltimes.cn/content/880864.shtml>>; Taylor M. Fravel, "The PLA and National Security Decisionmaking: Insights from China's Territorial and Maritime Disputes", in *PLA Influence on China's National Security Policymaking*, edited by Phillip C. Saunders and Andrew Scobell (Stanford, California: Stanford University Press, 2015).
- ⁸ "Yangbo dahai zouxiang shenlan-Shibada yilai woguo tuijin haiyang qianguo jianshe shuping" [Going to the Blue Ocean-Comments on Promoting a Strong Maritime Nation since the 18th Party Congress], *Guangming Daily*, 16 October 2017, available at <http://www.soa.gov.cn/xw/ztbd/ztbd_2017/xysjd/mtjj/201710/t20171016_58307.html>.
- ⁹ "Sansha sheshi wunian 216 qiye luohu" [216 Firms Launched in Five Years After Sansha City was Set Up], *Takungpao*, 19 October 2017, available at <http://news.takungpao.com/paper/q/2017/1019/3504831_print.html>.
- ¹⁰ "Sansha yongxing jichang tonghang jin yinian cheng jinchu xisha bianjie tongdao" [Open for Nearly a Year, Sansha Yongxing Airport Provides Easier Access to Xisha (Paracel Islands)], *China News*, 16 December 2017, available at <<http://www.chinanews.com/sh/2017/12-16/8402130.shtml>>.
- ¹¹ Qi Zhou, "Lengzhanhou Meiguo Nanhai zhengce de yanbian jiqi genyuan" [The Evolution and Source of US South China Sea Policy], *Shijie zhengzhijuyingji* [World Economics and Politics] 6 (June 2014): 23–44; Ji You, "Deciphering Beijing's Maritime Security Policy and Strategy in Managing Sovereignty Disputes in the China Seas", *RSIS Policy Brief* (October 2013), available at <https://www.rsis.edu.sg/wp-content/uploads/2014/07/PB131001_Deciphering_Beijing_Martime_Security_Policy.pdf>; Taylor M. Fravel, "China's Strategy in the South China Sea", *Contemporary Southeast Asia* 33, no. 3 (December 2011): 292–319; Leszek Buszynski, "China's Naval Strategy, the United States, ASEAN and the South China Sea", *Security Challenges* 8, no. 2 (Winter 2012): 12–32.
- ¹² John Garver, "China's Push Through the South China Sea: The Interaction of Bureaucratic and National Interests", *The China Quarterly* 132 (December 1992): 999–1028; Jakobson and Knox, "New Foreign Policy Actors in China", op. cit.;

- Linda Jakobson, "China's Unpredictable Maritime Security Actors", Lowy Institute report (December 2014), available at <https://www.lowyinstitute.org/sites/default/files/chinas-unpredictable-maritime-security-actors_3.pdf>; Aaron L. Friedberg, "The Sources of Chinese Conduct: Explaining Beijing's Assertiveness", *The Washington Quarterly* 37, no. 4 (Winter 2015): 133–50; Erica S. Downs, "Business and Politics in the South China Sea: Explaining HYSY981's Foray into Disputed Waters", *China Brief* 14, no. 12 (June 2014); International Crisis Group, "Stirring Up the South China Sea (IV): Oil in Troubled Waters", Asia Report no. 275 (26 January 2016), available at <<http://www.refworld.org/docid/56a785c64.html>>; Hongzhou Zhang, "Chinese Fishermen in Disputed Waters: Not Quite a 'People's War'", *Marine Policy* 68 (June 2016): 65–73.
- ¹³ Jakobson and Knox, "New Foreign Policy Actors in China", op. cit.; Jakobson, "China's Unpredictable Maritime Security Actors", op. cit.; International Crisis Group, "Stirring Up the South China Sea (IV)", op. cit.
- ¹⁴ "Dui daojiao ji fujin haiyu de jianshe yu kaifa" [Construction and Development of Island Reefs and Nearby Sea Areas], *Zhongguo Nanhaiwang* [China South China Sea net], available at <http://www.thesouthchinasea.org.cn/2016-07/21/c_53514.htm>.
- ¹⁵ Erica Downs, "Business Interest Groups in Chinese Politics: The Case of Oil Companies", in *China's Changing Political Landscape: Prospects for Democracy*, edited by Cheng Li (Washington, D.C.: Brookings Institution, 2008), pp. 121–41; Barry Naughton, "SASAC and Rising Corporate Power in China", *China Leadership Monitor* (24 June 2008), available at <<http://media.hoover.org/sites/default/files/documents/CLM24BN.pdf>>.
- ¹⁶ Curtis J. Milhaupt and Wentong Zheng, "Reforming China's State-Owned Enterprises: Institutions, Not Ownership", in *Regulating the Visible Hand?: The Institutional Implications of Chinese State Capitalism*, edited by Benjamin L. Liebman and Curtis J. Milhaupt (New York: Oxford University Press, 2015), pp. 175–201.
- ¹⁷ Author interviews with scholars in Guangzhou, 24–30 November 2015.
- ¹⁸ James Reilly, *China's Economic Statecraft: Turning Wealth into Power* (Sydney: Lowy Institute, November 2013).
- ¹⁹ Bree Feng, "Yongxingdao, zhongguo haiquan zhanlüe de qianshaozhan" [Yongxing Island (Woody Island), an Outpost for China's Maritime Strategy], *New York Times (Chinese)*, 27 November 2013, available at <<https://cn.nytimes.com/china/20131127/c27island/>>.
- ²⁰ "Xingshengyuyan! Nanhai, Yangqilale! Gande piaoliang" [Actions Speak Louder Than Words: The CSOEs come to the South China Sea! Good Job], *Huanqiu* [Global Times], 13 July 2016, available at <<http://finance.huanqiu.com/ppgc/2016-07/9165418.html>>.
- ²¹ Ying Fu and Shicun Wu, "Nanhai jushi ji nansha qundao zhengyi: lishi huigu yu xianshi sikao" [Situation in the South China Sea and Disputes in Nansha Islands (Spratly Islands): Historical Review and Realistic Thinking], *Xinhua Net*, 12 May 2016, available at <http://www.xinhuanet.com/world/2016-05/12/c_128977813.htm>; author interviews with scholars in Xiamen, 7–8 December 2015.
- ²² "Zhuanjia cheng Xishaqundao lüyou shangwu kexue kaifang'an" [Experts say No Scientific Development Plan for Tourism in Xisha Islands], *Zhongguo*

xinwenwang [China News Net], 6 April 2016, available at <<http://www.chinanews.com/gn/2012/04-06/3798892.shtml>>.

²³ Ibid.

²⁴ “Youlun shichang channeng guosheng, jinxia huoxian jiage hunzhan” [Overcapacity in the Cruise Market, Price War May Occur This Summer], *Travel Daily*, 24 March 2015, available at <<http://www.traveldaily.cn/article/90449>>.

²⁵ Ibid.

²⁶ “Qiyе guanchа bао: yаngqihао youlun nengfou dаpо chаnyе mоzhoу” [Firm Observer: Whether the Cruises by Central State Owned Enterprises Can Break Industry Curses], 12 July 2016, available at <http://www.ccccltd.cn/news/mtjj/201607/t20160712_50904.html>.

²⁷ “‘Guоjiаdui’ yongru youlun chаnyе, dаоbі zhengcе ‘bianju’” [“National Team” into the Cruise Industry Forces Policy “Changes”], *Invest in China*, 10 September 2015, available at <http://www.fdi.gov.cn/1800000121_21_83909_0_7.html>.

²⁸ “Guowuyuan guanyu tuijin Hainan guoji luyoudao jianshe de ruogan yijian” [Several Opinions on Promoting the Development of Hainan International Island for Tourism], 4 January 2010, available at <http://www.gov.cn/zwgk/2010-01/04/content_1502531.htm>.

²⁹ “Fu Xisha luyou hangxian yiqueding, you yexiang gongzhuhao youlun zhixing” [The Travel Route to Xisha has been Confirmed by the Cruise Ship of Coconut Princess], *Zhongguo jingjiwang* [China Economy Net], 5 April 2012, available at <http://www.ce.cn/xwzx/gnsz/gdxw/201204/05/t20120405_23213922.shtml>.

³⁰ “Quanguo haiyang gongneng quhua (2011–2020)” [Provisions on the National Marine Functional Zonings (2011–2020)], *Zhongguo haiyangbao* [China Ocean Newspaper], 18 April 2012, available at <http://www.soa.gov.cn/zwgk/fwjgwywj/gwyfgwj/201211/t20121105_5255.html>.

³¹ For the purposes of development, the Chinese government divides the South China Sea into three zones. In the north, the government plans to develop minerals, oil, gas and fisheries and also enhance the protection of the oceanic environment and ecology. In the centre, the Chinese government plans to develop natural resources, aquaculture, tourism, infrastructure for communication and transportation, as well as fisheries and coral protection. In the south, more attention will be given to the utilization and protection of fishery resources, aquaculture development and others.

³² “Xi Jinping zai zhonggong zhongyang zhengzhiju dibaci jiti xuexi shi qiangdiao jinyibuguanxin haiyang renshi haiyang jinglüe haiyang tuidong haiyang qianguo jianshe buduan qude xin chengjiu”, op. cit.

³³ “Guanyu cujinwoguo youlunyunshuye chixu jiankang fazhan de zhidao yijian” [On Guiding Opinions of Promoting the Sustainable Development of Our National Cruise and Transportation Industry], 26 March 2014, available at <<http://www.mot.gov.cn/zhengcejiedu/2014youlunyunshujd/>>.

³⁴ “Guowuyuan guanyu yinfa ‘Shisanwu’ luyouye fazhan guihua de tongzhi” [Notice on Issuing 13th Five-Year Plan on Tourism Planning and Development by State Council], 26 December 2016, available at <http://www.gov.cn/zhengce/content/2016-12/26/content_5152993.htm>.

- ³⁵ “Qiye guancha bao: yangqihao youlun nengfou dapo chanye mozhou”, op. cit.
- ³⁶ Xiuqun Hu and Jian Gao, “Zhuli Nanhai ziyuan kaifa, tuijin Sansha tese jingji fazhan” [Help the Resource Development in the South China Sea, Promote the Characteristic Economic Development of Sansha], *Jing ji yan jiu can kao [Review of Economic Research]* 72 (2015): 44–50.
- ³⁷ “Youlun chanye dalihao Zhongchuan you naduosou youlun dingdan” [Cruise Industry is Profiting, CSSC Takes More Cruise Orders], *Guoji chuanbo haikongwang* [International Ship Marine Network], 2 April 2017, available at <<http://www.ishipoffshore.com/html/8/2017-04-02/4011.htm>>.
- ³⁸ “Guowuyuan guanyu yinfa ‘Shisanwu’ lüyouye fazhan guihua de tongzhi”, op. cit.
- ³⁹ COSCO, “Xu Lirong shuidui weiwen nanhai zhimeng: Nanhai youlun, mengxiang qihang” [Xu Lirong Led the Team to Visit Nanhai Cruise: Where Dreams Come True], 13 June 2016, available at <http://www.cosco.com/art/2016/6/13/art_6864_48779.html>.
- ⁴⁰ Xinyue Wang, Guanghai Zhang, Shanshan Song and Sihuan Xie, “Zhongguo Nanhai lüyou kaifa tanxi” [A Study on Tourism Development in the South China Sea], *Journal of Ocean University of China (Social Sciences)*, no. 3. (2013): 41–45.
- ⁴¹ “Zhongguo guoqi nanhai xisha yulun hangian yji qiye qihang” [The Cruise into Xisha (Paracels) is Estimated to Start in July], *BBC Chinese*, 21 June 2016, available at <http://www.bbc.com/zhongwen/simp/china/2016/06/160621_paracel_island_cruise>.
- ⁴² “Zhonghaiyou de Hainan zhiyuan” [CNOOC’s Fate with Hainan Province], *CNOOC Newspaper*, 23 November 2012, available at <<http://www.cnooc.com.cn/data/html/news/2012-11-23/chinese/331220.html>>.
- ⁴³ Keyuan Zou, “Cooperative Development of Oil and Gas Resources in the South China Sea”, in *Security and International Politics in the South China Sea: Towards a Cooperative Management Regime*, edited by Sam Bateman and Ralf Emmers (London and New York: Routledge, 2009), pp. 80–81; Bill Hayton, *The South China Sea: The Struggle for Power in Asia* (New Haven and London: Yale University Press, 2014), pp. 121–50.
- ⁴⁴ International Crisis Group, “Stirring Up the South China Sea (IV): Oil in Troubled Waters”, op. cit.
- ⁴⁵ “Nanhai shiyou kaifa liangnan, Zhonghaiyou qiangaoceng cheng guojia ying jianli jijin fuchi” [CNOOC Faces Oil Development Dilemma in the South China Sea, Former High-Level Manager Advocated State Funding for the State Resource Exploitation], *Fenghuang* [Phoenix], 11 July 2011, available at <<http://finance.ifeng.com/news/industry/20110711/4250296.shtml>>.
- ⁴⁶ “Yuenan kaicai Nanhai shiyou lasheng GDP Zhongguo yizhi wei dajing ling guomin kunhuo” [Vietnam Exploits the South China Sea to Improve GDP while the Chinese Nationals are Confused over China’s Inactivity in the South China Sea], *Fenghuang* [Phoenix], 11 July 2011, available at <<http://finance.ifeng.com/news/hqcj/20110711/4249645.shtml>>.
- ⁴⁷ Author interviews with scholars based in Guangzhou, 28 November 2015.

- ⁴⁸ “Zhonghaiyou: Nanhai shenshui tianranqi youtian kaifa cheng weilai yewu zhongdian” [CNOOC: Natural Gas and Oil Field Development in the Deep Waters of South China Sea becomes the Future Business Focus], *Zhongguo jingjiwang* [China Economy Net], 28 August 2008, available at <http://www.ce.cn/cysc/ny/trq/200808/28/t20080828_16638569.shtml>.
- ⁴⁹ *Ibid.*
- ⁵⁰ “Nanhai shiyou kaifa liangnan”, *op. cit.*
- ⁵¹ “Song Enlai Daibiao: Jianyi jiada Nanhai youqi ziyuan kaifali” [Representative Song Enlai Proposed to Increase the South China Sea Oil and Gas Resources Development Efforts], *Zhongguowang* [China Economy Net], 10 March 2009, available at <http://lianghui.china.com.cn/2009lianghui/2009-03/10/content_17417154.htm>.
- ⁵² “Zhonghaiyou Nanhai kaifa zhanlüe huzhiyuchu” [CNOOC Development Strategy in the South China Sea is Almost Certain], *Fenghuangzhoukan* [Phoenix Weekly], available at <<http://www.51fenghuang.com/news/fengmiangushi/1150.html>>.
- ⁵³ “Zhongshiyou qianfuzong: zhongguo yiju daguimo kaifa Nanhai youqitian nengli” [Former Vice-President of PetroChina: China has Acquired the Capability of Developing Large-scale Oil and Gas Field in the South China Sea], *Fenghuang* [Phoenix], 9 March 2009, available at <http://news.ifeng.com/mainland/special/2009lianghui/news/200903/0309_5755_1052609.sht>.
- ⁵⁴ Elizabeth Economy and Michael Levi, *By All Means Necessary: How China's Resource Quest is Changing the World* (New York: Oxford University Press, 2014).
- ⁵⁵ *World Energy Outlook 2010* (Paris: International Energy Agency, November 2010), available at <<https://www.iea.org/publications/freepublications/publication/weo2010.pdf>>.
- ⁵⁶ Jie Zhang, “Haishangtongdao anquan yu zhongguo zhanlüe zhidian de goujian” [Maritime Channel in Southeast Asia and China's Strategic Pivots], *Guoji anquan yanjiu* [International Security Studies] 14 (December 2015): 100–18, available at <http://www.cctb.net/llyj/llyj/llwz/201512/t20151214_333358.htm>.
- ⁵⁷ Zhongxiang Zhang, “China's Energy Security, the Malacca Dilemma, and Responses”, *Energy Policy* 39, no. 12 (December 2011): 7612–15.
- ⁵⁸ “Zhongshiyou chuhai qiaoran huopi, sanda jutou zhankai haishang juezhu” [CNPC Received Approval to Develop the Sea, the Three Giants Start to Race in the Sea], *Xinhuaawang* [Xinhua Net], 7 July 2004, available at <http://news.xinhuanet.com/fortune/2004-07/07/content_1579534.htm>.
- ⁵⁹ James Manicom, “The Energy Context Behind China's Drilling Rig in the South China Sea”, *China Brief* XIV, no. 11 (June 2014), available at <<https://jamestown.org/program/the-energy-context-behind-chinas-drilling-rig-in-the-south-china-sea/>>.
- ⁶⁰ Author interviews with scholars based on Hainan, 14 August 2015; Beijing, 13 December 2015; Hong Kong, 25–27 June 2016; and Singapore, 30 January 2018.
- ⁶¹ “Haiyangshiyou 981 jianzaoji: wei Nanhai ersheng” [The Record of Building Haiyangshiyou 981: Born for the South China Sea], *Oriental Outlook*, 21 July

- 2014, available at <http://cisse.sjtu.edu.cn/index.php/Home/article/detailPage/parentID/1725/cat_id/1728/artID/1872>.
- ⁶² “Woguo shouzuo shenshui zuanjing pingtai, haiyang Shiyou 981 shouzuan chenggong” [Our First Drilling Platform: The Successful Trial of Haiyangshiyou 981], *Xinhua Agency*, 21 July 2014, available at <http://www.gov.cn/jrzg/2012-05/09/content_2132907.htm>.
- ⁶³ “Shijieji shenshui zuanjing pingtai ‘Haiyangshiyou 981’ shunli chuwu” [The World Class Drilling Platform Haiyangshiyou 981 Docked Successfully], *CNOOC Newspaper*, available at <http://www.cnooc.com.cn/art/2010/3/1/art_341_469571.html>.
- ⁶⁴ “Shiyou jutou Nanhai boyi, Zhongguo dazao ‘Nanhai Daqing’” [Race Among Oil Giants in the South China Sea: China Plans to Build “Daqing in the South China Sea”], *Sinopec News*, 3 May 2012, available at <http://www.sinopecnews.com.cn/news/content/2012-05/03/content_1164659.shtml>.
- ⁶⁵ “Zhonghaiyou de Hainan Zhiyuan”, op. cit.
- ⁶⁶ “Guowuyuan guanyu xiugai zhonghuarenmingongheguo duiwaihezuo kaicai lushang shiyouziyuan tiaoli” [Decision on Amending the Regulation on the Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises], 11 October 2011, available at <http://www.mof.gov.cn/zhengwuxinxi/zhengcefabu/201110/t20111011_598575.htm>.
- ⁶⁷ “Guowuyuan guanyu yinfa ‘12.5’ guojia zhanlüexing xinxing chanye fazhanguihua de tongzhi” [12th Five-Year Plan for the Development of National Strategic Emerging Industries], 20 July 2012, available at <http://www.gov.cn/zwzq/2012-07/20/content_2187770.htm>.
- ⁶⁸ “Tuijin ‘Erci Kuayue’, shixian kexue fazhan” [Promote the “Second Leap Forward” to Realise Scientific Development], *Qiushi Theory*, 1 May 2012, available at <http://www.qstheory.cn/zxdk/2012/201209/201204/t20120426_154190.htm>.
- ⁶⁹ “Zhonghaiyou gongbu Nanhai diqu 9 ge kaifang zhaobiao qukuai dili zuobiao” [CNOOC Announced the 9 Open Bidding Blocks in the South China Sea], *China News*, 27 June 2012, available at <<http://finance.chinanews.com/ny/2012/06-27/3989795.shtml>>.
- ⁷⁰ “Zhonghaiyou nanhai zhaobiao zoujin shenhai youtian tisheng zhongguo shiyou yingshili” [CNOOC Offered Bidding for the South China Sea’s Deep-Sea Oil Field to Enhance the Hard Power of Chinese Oil Industry], *China Economic Herald*, 7 July 2012, available at <<http://www.ceh.com.cn/ceh/cjxx/2012/7/7/121475.shtml>>.
- ⁷¹ Ibid.
- ⁷² “Lirenchuqiao jianzhi shenhai, Zhongguo Haiyou shenhai kantan kaifa gongcheng jishu tixi chubu xingcheng” [Pull Out the Sharp Sword, Aiming at the Deep Waters of the South China Sea, Initial Stage of Deep-Sea Exploitation and Development Technology by CNOOC], 10 May 2012, available at <<http://www.cnooc.com.cn/data/html/newstopic/2012-05-10/chinese/279500.html>>.
- ⁷³ “Liudong guotu kaiqi Nanhai washidai” [Mobile Sovereignty Embarks on the Era of Drilling], *People’s Daily*, 14 May 2012, available at <http://paper.people.com.cn/gjrb/html/2012-05/14/content_1049975.htm>.

- ⁷⁴ “Wang Yilin: haiyang shiyou gongye zhutui haiyang qianguo jianshe” [Wang Yilin: Offshore Oil Industry Boosts the Construction of Maritime Power], *People's Daily*, 25 December 2012, available at <<http://cpc.people.com.cn/n/2012/1225/c64387-20002576.html>>.
- ⁷⁵ “Zuantan zhuquanjing kaicai zhuquanyou” [Drilling Sovereignty Wells and Exploiting Sovereignty Oil], 26 May 2013, available at <<http://www.cnooc.com.cn/data/html/news/2013-05-26/chinese/339630.html>>.
- ⁷⁶ “Guowuyuan bangongting guanyu yinfa Nengyuan Fazhan Zhanlüe Xingdong Jihua (2014–2020) de tongzhi” [Notice on the Issuance of the State Council on the Energy Development Strategy Action Plan (2014–2020)], *Zhongguo zhengfuwang* [China Government Net], 19 November 2014, available at <http://www.gov.cn/zhengce/content/2014-11/19/content_9222.htm>.
- ⁷⁷ “Lingshui 17-2 Beihou: Zhonghaiyou de shenhai bufa” [Behind Lingshui 17-2: Pace of CNOOC in the Deep Seas], *Shiyouguan* [Oil Observer], 13 January 2015, available at <<http://www.oilobserver.com/case/article/1408>>.
- ⁷⁸ “*Tiankun*, Asia's Largest Dredger, Launches in China's Jiangsu Province”, *Global Times*, 3 November 2017, available at <<http://www.globaltimes.cn/content/1073430.shtml>>.
- ⁷⁹ “Nanhai zaodao haozi bufei, yige rengongdao zaojia 736 yiqi” [Building Artificial Islands is Not Cheap: An Artificial Island costs over 73.6 Billion Yuan], *Guoji jinrongbao* [International Finance Newspaper], 13 April 2015, available at <http://www.ce.cn/xwzx/gnsz/gdxw/201504/13/t20150413_5093047.shtml>.
- ⁸⁰ “Zhongguo jiaojian zhanlüe shengji: you gong zhuan Shang” [Strategic Upgrading of CCCC: From Industry to Commerce], *Xinlang caijing* [Sina Finance], 15 November 2016, available at <<http://finance.sina.com.cn/chanjing/cyxw/2016-11-15/doc-iffxsmic6306118.shtml>>.
- ⁸¹ Zhongjiao Dredging General Office, “Zhongguo diwujie guoji shujun jishu fazhan huiyi ji bainian shujun chengjiuzhan longzhong kaimu” [China's Fifth International Dredging Technology Development Conference and Centennial Dredging Achievement Exhibition Grand Opening], 28 November 2017, available at <<http://www.cccc-cdc.com/level3.jsp?id=955>>.
- ⁸² “Zhongjiao Shujun xunqiu haiwai shangshi” [CCCC Dredging Group Sought Overseas Listing], *Financial Times*, 12 June 2015, available at <<http://www.ftchinese.com/story/001062498>>.
- ⁸³ “Dazao tese zhuangbei yewu tuidong ‘shengjiban’ zhanlüe luodi” [Building Characteristic Equipment Business and Promoting ‘Upgrade Version’ Strategy Landing], *CCCC Second Highway Engineering*, 5 March 2014, available at <http://www.sebcrbc.com/news_show.htm?classId=88&id=4235>.
- ⁸⁴ Guoxing Liu, “Liu Junji huijian Sansha Shiwei Shuji Tian Xiangli” [Liu Junli met with City Sansha Mayor Tian Xiangli], *CCCC Ocean Investment*, 19 June 2017, available at <<http://www.ccccoi.com/news/109>>.
- ⁸⁵ “Liu Qitao huijian Hainan shengzhang Liu Cigui” [Liu Qigui met with Hainan Governor Liu Cigui], *China Communications Construction*, 7 February 2017, available at <http://www.ccccltd.cn/news/gsyw/201702/t20170207_87480.html>.
- ⁸⁶ Ling Wang, “Tegao: cong zhongjiaojian yu hainan 63 nian shenshen qingyan kan hainan yu yangqi gongcheng” [Feature: 63 Years of Relationship between “Zhong Jian” and Hainan to see the Development of Hainan and the Central

Enterprises], Hainan Internet Radio & TV Station, 4 July 2016, available at <http://www.hnntv.cn/html/2016/hnxwlb_0704/97327.html>.

⁸⁷ Ibid.

⁸⁸ “Gongsijianjie [Introduction]”, *CCCC Ocean Investment*, available at <<http://www.ccccoi.com/about>>.

⁸⁹ Xueshan Li, “Xiao Jie: Yinjin daqiye dao sansha fazha Hainan zhongda caiyuan” [Xiao Jie: Bringing Large Size Enterprises to Sansha; Developing Hainan’s Major Source of Financing], *China Daily*, 12 February 2015, available at <http://cnews.chinadaily.com.cn/dflh/2015-02/12/content_19571337.htm>.