

US-Philippine Relations: What is at stake for the United States should the Philippines assert its sovereignty and align with China?

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The Philippines and the United States have been entangled in a “love-hate” relationship ever since the archipelago regained its independence from the United States in 1946. Today’s Philippine leaders perform a balancing act between US demands and appeasing the nationalist masses particularly around elections. Nevertheless, amidst criticisms, current Philippine president Gloria Macapagal-Arroyo, became the first Asian leader to endorse the Bush Administration’s global war on terrorism on September 19, 2001.<sup>1</sup> Her action not only “facilitated the revival of US propriety aims on the archipelago,” but also re-established a strong relationship with the United States since the U.S. troop withdrawal from Philippine bases in 1992.<sup>2</sup>

Although, Arroyo’s decision sparked a strong opposition from the nationalists, her action was not surprising. Philippine leaders traditionally took advantage of the archipelago’s strategic location to wring out economic and military aid from the United States.<sup>3</sup> Since Arroyo’s pledge of support to the United States post 9/11, the Philippines has received the most dramatic increase in U.S. foreign assistance in the East Asia-Pacific region, particularly military financing (FMF).<sup>4</sup> Additionally, the Philippines have been designated by the United States as a Major Non-NATO ally along with Australia.<sup>5</sup>

Meanwhile, the Republic is also strengthening its relationship with China. China has invested in infrastructure developments in the Philippines.<sup>6</sup> The two nations “signed

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<sup>1</sup> Luis Francia, “Meanwhile, in Manila...” *The Nation*, (2003): 1.

<sup>2</sup> Ibid.

Thomas Lum, “The Republic of the Philippines: Background and U.S. Relations.” (Washington D.C: Congressional Research Service, Library of Congress, 2006), 2.

<sup>3</sup> Luis Francia, “Meanwhile, in Manila,” 1.

<sup>4</sup> Thomas Lum. “The Republic of,” 1.

<sup>5</sup> Ibid.

<sup>6</sup> Elizabeth Economy, “China’s Rise in Southeast Asia: Implications for the United States.” *Journal of Contemporary China*, (2005): 415.

two agreements aimed at fostering better military and security cooperation, including allowing Filipino soldiers to train in China in May 2005.”<sup>7</sup> Putting conflicts behind them over Mischief Island, they have also agreed on a joint exploration plan for natural resources on the Spratly Islands.<sup>8</sup> The United States is the biggest trading partner of the Philippines and the single largest foreign country investor. However, US investments and Philippine exports have steadily declined since 2002 and 2003 respectively. In contrast, Philippine-Chinese bilateral trade has been increasing at an estimated rate of 55% annually since 2002.<sup>9</sup>

The United States is wary of the new Philippine-China relationship. As the American Heritage, a conservative think tank well regarded by the Bush administration writes:

**The September 11, 2001 attacks sparked a renewed interest in the U.S.-Philippines alliance. As both nations faced al-Qaeda and associated terrorist groups, the United States and the Philippines cooperated to improve the Philippines’ military, law enforcement, and financial operations capabilities. However, the alliance has come under significant strain of late because of Manila’s new – and unprecedented relationship – with China as well as its decision to withdraw troops from Iraq early....In policy circles here, the question is being raised: Can the U.S. depend on the alliance any longer?”<sup>10</sup>**

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<sup>7</sup> Thomas Lum, “The Republic of,” 16.

<sup>8</sup> In January 2000, “photographic evidence showed that China had expanded installations on Mischief reef claimed by the Philippines since 1995, when it first started building what it said were shelters for fishermen. There are now four sites on the reef with installations that could be connected to form a fortress, like Gibraltar, or a five-star hotel for fishermen. (The World Factbook. Central Intelligence Agency. <http://www.cia.gov/cia/publications/factbook/geos/pg.html>.)

<sup>9</sup> Thomas Lum. “The Republic of,” 16.

<sup>10</sup> Rita M. Adkins-Gerona, “US Wary of New Philippine Ties with China.” *Philippine News*, <http://www.philippinenews.com>.

China's economic success has gained momentum since the turn of the century. Fueled by a strong economy, improved foreign policy, and increasing military dominance, China is at a position to become the next regional hegemon in Asia. In light of China's emergence as a potential super power rival, what is at stake for the United States should the Philippines assert its self-interest and sovereignty and welcome China's advances? This paper will explore U.S. interest in the Philippines vis-à-vis China. I argue that the danger for the United States should the Philippines assert its sovereignty and align with China is loss of access to strategically located military bases, decrease of military dominance over Southeast Asia, and threatened access to sea-lanes in the South China Sea to China. An overriding threat would be the significance of losing a long-term treaty ally. It is not so much as losing the Philippines per se, but the possibility of a gradual loss of its treaty allies in the region signifying the decline of US economic and political power in Asia. At stake therefore, should the United States lose the Philippines as their ally, are their major economic and strategic interests in Southeast Asia.

Several analysts including the Independent Task Force sponsored by the Council of Foreign Relations adamantly warned the United State's president to pay a closer attention to Southeast Asia. The United States particularly at the end of the Cold War have marginalized the foreign policy in this region in preference to Japan, China, and India. The executive summary in the Report of the Council of Foreign Affairs states:

Southeast Asia's importance should be evident: it is an area with almost 525 million people, commands a GNP of more than \$700 billion, is the fifth largest U.S. trading partner, and is home to a growing number of emerging

democracies. Yet in a region that includes half the world's population, Southeast Asia tends to be overshadowed by China, Japan, and India. This should not be the case. The American experience in Asia-where we have fought three wars in the past six decades-instructs that we ignore the region only at our own peril.<sup>11</sup>

The following is a list of America's key regional interests as defined by the Task Force:

- Promotion of stability and balance of power: with the strategic objective of keeping Southeast Asia from being dominated by any hegemon
- Prevent being excluded from the region by another power or group of powers
- Freedom of navigation and protection of sea lanes
- Trade and investment interests
- Support of treaty allies and friends
- Promotion of democracy, rule of law, human rights, and religious freedom.<sup>12</sup>

The highest priority recommendation to the Bush Administration is “given to maintaining regional security by seeking to prevent intraregional conflict or domination by an outside power or coalition.”<sup>13</sup> As stated, “To this end, the administration should ensure the preservation of both a credible military presence and a viable regional military

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<sup>11</sup> Independent Task Force. *The United States and Southeast Asia: A Policy Agenda for the New Administration* (New York: Council of Foreign Affairs, 2001), 5.

<sup>12</sup> *Ibid.*, 4.

<sup>13</sup> *Ibid.*, 45.

training and support infrastructure.”<sup>14</sup> Furthermore, the Council recommended that the United States also could look into expanding its recently resumed Balikatan exercises in the Philippines. In addition, expand the Seventh Air Force’s joint and combine exercises in Southeast Asia and the Seventh Fleet/Third Marine Expeditionary Force’s Combined Amphibious Readiness and Training (CARAT) exercises around the region.<sup>15</sup> With the steady decline of US investments and trade in the Philippines, it can be stated that US interest in the Philippines is largely on access to military bases. It is evident that the Council’s first point of interest (*on promotion of stability and balance of power with the strategic objective of keeping Southeast Asia being dominated by any hegemon*) refers to China, a potential hegemon.

The main motivation of the United States involvement in the Philippines goes beyond the purported links of Abu Sayyaf to Al Qaeda. Rumsfeld asserts a clear link between Abu Sayyaf and *Al Qaeda*. He offered the following evidence: “First, Abu Sayyaf founder Abdurajak Janjalini met with Osama bin Laden's brother-in-law, Muhammad Jamal Khalifa, in the early 1990s. Second, the group received training from Ramzi Yousef, convicted of the 1993 World Trade Center attack, who also has been linked to bin Laden. Finally, members of Abu Sayyaf trained in Afghanistan with *al Qaeda* leaders.”<sup>16</sup> However, Rumsfeld also stated, “the United States is interested in a lot more than *al Qaeda*.”<sup>17</sup> Accordingly, whether a link between the two violent organizations exist remains irrelevant. The Philippines is critical in the United States

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<sup>14</sup> Ibid.,45.

<sup>15</sup> Ibid., 46.

<sup>16</sup>Mark Burgess, “US Deployment to the Philippines: A Sensible and Timely Quid Pro Quo.” *Center for Defense Information*, <http://www.cdi.org/terrorism/Philippines.cfm>.

<sup>17</sup> Ibid.,1.

larger strategy of maintaining their economic dominance over Southeast Asia and countering the rising economic and political power of China.

Historically, Southeast Asian nations view China with suspicion because of its conflicting claim in South China Sea and its past support of communist's insurgencies.<sup>18</sup> However, China's image began to "shift after the Asian financial crisis of 1997/98 when China resisted pressure to devalue its currency while the currencies of its neighbors where in free fall."<sup>19</sup> In contrast, while many in Southeast Asia criticized the United States for imposing an IMF straightjacket, China provided a US\$1 billion loan bailout of Thailand.<sup>20</sup> Even "American efforts at the 2003 APEC summit to persuade Asian allies to criticize China's exchange rate policy were received poorly by the region."<sup>21</sup> Apparently, China has successfully shifted its foreign policy to assuage suspicions among its neighbors.

China is now in serious competition with the United States as the major trading partner of ASEAN nations. "During 1995-2002, China-ASEAN trade grew an average of 19% annually; in 2002, it reached a record \$54.8 billion-an increase of 31.8% from 2001. And in 2003 it topped \$78 billion. At least one estimate puts China-ASEAN trade at more than \$100 billion in 2004."<sup>22</sup> China's economic success also enabled it to play a greater role in the international stage.<sup>23</sup> Laos, Burma, and Cambodia have received

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<sup>18</sup> B. Vaughn and W. Morrison, "China-Southeast Asia Relations: Trend, Issues, and Implications for the United States" *CRS Report for Congress* (2006): x.

<sup>19</sup> *Ibid.*

<sup>20</sup> Elizabeth Economy, "China's Rise in Southeast," 415.

<sup>21</sup> *Ibid.*

<sup>22</sup> Elizabeth Economy, "China's Rise in Southeast," 414.

<sup>23</sup> *Ibid.*, 410.

Chinese development assistance.<sup>24</sup> The Philippines as well as several nations in the Southeast Asia has signed cooperative agreements.

Although, some nations continue to perceive a threat in fast growing power of China, many have also recognized the importance of making connections with the country. In 2004, Malaysian Prime Minister Abdullah Ahmad Badawi stated, “China is today a creator of prosperity of the highest order. Political and social linkages are bound to eventually follow suit. It is therefore important to use every opportunity and establish ties.”<sup>25</sup> China has actively pushed for a regional free trade agreement that will encompass Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand in 2010 and incorporate Vietnam, Laos, Myanmar, and Cambodia in 2015.<sup>26</sup>

US interest in bolstering their military presence in the region becomes more urgent as China and Japan begin to infringe on US interest particularly on the Council’s second point: *Prevent being excluded from the region by another power or group of power*. China and Japan has pushed forward programs excluding the United States. China has taken a leadership role in regional economy and aggressively pursuing an ASEAN + China free trade agreement.<sup>27</sup> Also important to note, is that even though China’s is the leader in regional economy, Japan remains to be the top aid donor to ASEAN members.<sup>28</sup> “It pledged US\$30 billion in assistance to strengthen the economies of the region; and by 2001 it provided 60% of the development assistance in the region.”<sup>29</sup> Additionally, with their leadership and despite the United States and IMF

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<sup>24</sup> Ibid.

<sup>25</sup> Ibid., 414.

<sup>26</sup> Ibid.,414.

<sup>27</sup> Ibid.,416.

<sup>28</sup> Ibid.,415.

<sup>29</sup> Ibid.



objections, it developed a range of regionally-based currency arrangements to exclude the United States.<sup>30</sup> Several ASEAN nations are exchanging data on short-term capital flows in an attempt to establish an early warning system that would involve monitoring balance of payments, exchange rate regimes, and levels of foreign borrowing.<sup>31</sup> Further, in June 2003, “China and 10 other Asian Pacific countries, including five ASEAN members agreed...to establish an Asian Bond Fund worth more than \$1 billion to help bail out economies in crises. This was followed by a second bond fund initiative announced in December 2004 for an additional \$2 billion fund to invest in Asian currency-denominated government bonds.<sup>32</sup> This trend strengthens the sense of Asians for Asians without necessarily the involvement of the United States. Several analysts have warned the United States of such developments because of its inattentiveness to Southeast Asia. With ASEAN’s economic potential, it could easily entertain investments from other nations such as China, Japan, and India.

Several analysts including the Council of Foreign Relations Task Force have also invariably warned the United States that inaction will result in rapid loss in stature as the region’s key trading partner. US access to sea-lanes in the South China Sea (the Council’s third point of US interests) will be compromised should the Philippines exert its sovereignty and increase its relationship with China. United States will lose access to the archipelago’s strategic geopolitical location. According to a study produced by the US Air Force by the RAND Corporation in 2000 entitled, “The Role of Southeast Asia in US Strategy Toward China,” access to the Philippines and Vietnam would help establish

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<sup>30</sup> Ibid., 416.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid., 416

air superiority over the sea-lanes of the South China Sea.<sup>33</sup> If the People's Republic of China gains unlimited military access to the Philippines, it could impose controls on the passage of shipments to and from the United States and the rest of Asia.

Political analysts could not reiterate enough the importance of the region's strategic geography. Southeast Asia in general straddles "some of the world's critical sea-lanes through which nearly half of the world's trade passes."<sup>34</sup> Moreover, the region also includes the Spratly Islands, an area of contention among China, Vietnam, Malaysia, Taiwan, Philippines, and Brunei. The islands are "strategically located near several primary shipping lanes in the central South China Sea."<sup>35</sup>

The Spratly Islands, located two thirds of the way from southern Vietnam to the southern Philippines, are made up of more than 100 reefs. They are surrounded by rich fishing grounds and potentially by gas and oil deposits."<sup>36</sup> According to the CIA factbook, its "proximity to nearby oil and gas-producing sedimentary basins suggests the potential for oil and gas deposits, but the region is unexplored...Commercial exploitation has yet to be developed."<sup>37</sup>

China, in particular, has aggressively asserted its claim over the islands. In 1909, China captured some islands in the Paracels. Thirty-seven years later, it seized Itu Aba in the Spratly's and Phu Lan Island in the Paracels.<sup>38</sup> Hoang Sa (Paracels) islands fell under China in the 1950s and again in 1974. Vietnam protested claiming that these seizures were unlawful, and accused the United States in aiding China for the take-over of the

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<sup>33</sup> Peter Symonds, Why has the South East Asia become the second front in Bush's "war on terrorism?," World Socialist Web Site, <http://www.wsws.org/articles/2002/apr2002/asia-a26.shtml>.

<sup>34</sup> Independent Task Force, "The United States and," x.

<sup>35</sup> The World Factbook, Central Intelligence Agency, <http://www.cia.gov/cia/publications/factbook/geos/pg.html>.

<sup>36</sup> Ibid., 2.

<sup>37</sup> Ibid., 3.

<sup>38</sup> Ibid.

Paracels. In 1988, on-going dispute over the Spratly Islands took on a violent turn. The Chinese and Vietnamese engaged in arm conflict where Vietnam pushed for settling the dispute diplomatically. While Vietnam gained international support, their call fell on deaf ears in Beijing.<sup>39</sup> As of 2000, China has stealthily developed infrastructure on Mischief Island, an area claimed by the Philippines. However, as stated earlier, the RP-China relations have gone beyond this dispute and are looking forward to a joint exploration with Vietnam. In spite of this, this area remains volatile as claims have not yet been resolved.

U.S. businesses participating in off-shore exploration will be affected with the proceedings and outcome of these disputes. It could also restrict U.S. maritime activities. Analysts indicate that although the United States has a mutual defense pact with the Philippines, the tension over the Spratly Islands will not invoke it.<sup>40</sup> However, the “United States could become involved commercially and militarily” should it violate international laws relating to maritime activities.<sup>41</sup> Moreover, the U.S. has a stake on these issues, should China gain extensive control over this region it will drastically affect their access to the sea lane in South China Sea. In addition, complete U.S. control of these sea lanes could mean greater economic control over China and Japan.

The United States have also been under fire from ASEAN nations for their ad hoc and reactive policy towards the region, particularly on their conduct on the terrorism problem. It is in the United State’s interest to keep the *support of treaty allies and friends* (As the Council defines the US’s fifth interest in S.E.A). However, ASEAN nations have been more responsive with China’s new foreign policy. For instance, as stated earlier,

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<sup>39</sup> Ibid.,6.

<sup>40</sup> ICE Case Studies, Trade and Environmental Database, <http://www.american.edu/ted/ice/spratly.htm>.

<sup>41</sup> Ibid., 4.

the Philippines have increased its economic and political relations with China. ASEAN nations particularly Indonesia has also been criticizing the United States for putting too much attention on terrorism rather than building economic relationships with ASEAN. Further, it also alienated several ASEAN nations that saw poverty and failing economies as pressing issues rather than global terrorism.

Tensions have also arisen between the United States and their allies. For instance, bilateral friction has occurred between the Philippines and the United States despite mutual agreement on the importance of U.S.-R.P. relations and the U.S. led war on terrorism.<sup>42</sup> For example, regardless of U.S. criticisms and stance on kidnapping by so-called terrorists in Iraq, President Arroyo withdrew Philippine Forces in Iraq in response to local outcry for the release of a kidnapped Filipino contract worker in Iraq.<sup>43</sup> Her government “also objected to U.S. consideration of a greater combat role for U.S. troops in joint military exercises and of placing the MILF, with whom Manila is negotiating a peace agreement, on the U.S list of terrorist organizations.”<sup>44</sup> Thus, the Philippines, in spite of evidences of co-optation by certain members of the government with the United States, remain active in pursuing their self-interest and sovereignty, mainly in response to public demands.

China has taken the place of the Soviet Union during the post-cold war in U.S. domestic discussions. According to the Commission for defense Attitudes and Security Issues, tensions between China and the USA includes:

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<sup>42</sup> Thomas Lum. “The Republic of,” 1.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

- China's arm sales (and smuggling) including nuclear and missile technology to Pakistan, Iran, Iraq and other potential "states of concern"
- Chinese espionage including theft of US missile secrets which may fasten the nuclear build up of China's ICBM force being able to target US territory
- A US\$90 billion trade surplus (in 1999) in China's favor which Washington claims is exacerbated by China's restriction on US imports
- Human rights violations of dissidents
- China's occupation of Tibet
- Chinese ongoing military pressure on Taiwan
- China EEZ claims in the South China Sea
- China's support for the Saddam Hussein's regime in Iraq
- China's support for the Milosevic government in Yugoslavia<sup>45</sup>

In addition, the United States is keeping an eye on North Korea, China's closest ally. North Korea has the fourth largest military in the world with 1.2 million armed personnel compared with only 650,000 in South Korea.<sup>46</sup> Pyongyang has the second-largest special operations force in the world, including 55,000 troops trained to operate behind enemy lines in case of warfare.<sup>47</sup> Hence, control and keeping the Philippines amongst its allies is critical in increasing the might of U.S. military in Asia.

The United States need to react fast in countering China's aggressive pursuit of bilateral trades with ASEAN with the exclusion of the United States (ASEAN + China).

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<sup>45</sup> Frank Umbach, "America's New Political and Military Orientation Towards Asia-A Challenge to Transatlantic Ties?" *Research Institute of the German Council on Foreign Affairs* (2001): 53.

<sup>46</sup> Erich Marquardt, Matthew Riemer, and Gillian Norman, "North Korea threat part of United States regional strategy" Daily Times, <http://www.dailytimes.com.pk/default.asp>.

<sup>47</sup> Ibid.

In addition, traditional allies such as Japan and the Philippines are making decisions contrary to their demands such as programs geared towards bailing out ailing economies (Japan) and refusal for greater US military involvement in the Philippines. Although China's military force has not reached the level of sophistication of the United States, they are working hard to improve it. Even at a point of espionage as shown above including theft of US missile secrets which may fasten the nuclear build up of China's ICBM force being able to target US territory. Their ties with militarized North Korea could also help boost their military power. Moreover, China's growing relationship with the Philippines remains to be seen. If it becomes stronger, it could catapult it to a major military force in Asia with the Republic's strategic geopolitical location. This alliance could be a stepping stone for China in securing alliances with Vietnam and other ASEAN nations, thus, destabilizing US dominance in the region.

In conclusion, with China's rising economic and political power, the Philippines' role in the US strategy for continued global hegemony remains crucial. The United States economic and strategic interests are at stake should the Philippines assert their sovereignty and align with China. Keeping the archipelago under US control means greater military advantage over the South China Sea. As such, military dominance in the Southeast Asia particularly along the sea lane routes translates into greater economic power over China and Japan.

With the restructuring of global powers, Philippine President Gloria Macapagal-Arroyo and her successors have an important task in playing the diplomatic game of appeasing both powers while extracting as much economic opportunities as possible for the country without losing the Republic's sovereignty. There is so much to be gained if

they play their cards right. However, it could also mean disaster-a complete loss of Philippine independence. Whatever the outcome might be, the Philippines could benefit immensely. It is an opportune time to turn the tides around in favor of the Philippines.

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