

# The Philippines: Economic Statecraft and Security Interests Can Save a Critical Alliance

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## KEY TAKEAWAYS

In order to deter China, Washington needs a stronger military alliance with the Philippines, and leaders in Manila understand this as well.

However, painful colonial memories and the multifaceted challenge from China requires a more comprehensive approach to bolster the bilateral relationship.

To achieve this goal, the economic and military interests of both countries should complement each other while broadening and deepening the bonds between them.

“Elections have consequences,” President Barack Obama famously asserted in early 2009, and the saying applies equally well in the domain of international relations. Elections have significant strategic impacts on the bilateral U.S.–Philippines relationship, and that will undoubtedly be true of the next Philippines presidential election slated for May 2022, which will take place against the backdrop of increased regional tensions with China.

The last presidential election in the Philippines in 2016 ushered in sharp reversals on several significant fronts. Just prior to it, the Enhanced Defense Cooperation Agreement (EDCA) to strengthen the bilateral military alliance with the United States was delivering results and historic arbitration against China’s South China Sea maritime claims was concluding. However, the new Filipino president, Rodrigo Duterte, quickly

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moved to stall EDCA and set aside a favorable July 2016 arbitral decision in the hopes of closer relations with China.<sup>1</sup>

This is not the first time, nor the last, that politics complicates what should be shared strategic interests between the two countries: For the U.S., it is upholding the maritime rules-based order, while for the Philippines it is security from maritime harassment and encroachment on its claims.

## “People Power Revolution”

In 1986, Filipino President Corazon Aquino peacefully ended the dictatorship of her predecessor Ferdinand Marcos. Her “people power revolution” released pent-up animosities toward the United States and, combined with the 1991 eruption of Mount Pinatubo, ended a near century of U.S. military presence in the Philippines in 1992. Once the United States departed its major bases in Subic Bay and Clarke airfield, it left a power vacuum in the South China Sea that was shortly filled by China.

In the intervening years, China has increasingly pressed its maritime claims into the Philippines’ exclusive economic zone, sometimes unabashedly using economic leverage, such as a 2012 banana embargo during a standoff over Scarborough Shoal.<sup>2</sup> For the Philippines, disputes with China represent an economic, diplomatic, and military challenge. However, the United States has historically chosen to focus on the maritime security aspects of these disputes. “The United States will sail, fly, and operate wherever international law allows” is an axiom that has been repeated verbatim by every Secretary of Defense since 2015.

In order to deter China, Washington needs a stronger military alliance with the Philippines, and leaders in Manila understand this as well. However, painful colonial memories and the multifaceted challenge from China requires a more comprehensive approach to bolster the bilateral relationship. To achieve this goal, the economic and military interests of both countries should complement each other while broadening and deepening the bonds between the two countries.

## Base Politics

With a year to go before the next Philippine president is elected, there is an opportunity for the current Administration and the Department of Defense to foster this strategically important bilateral relationship. On February 5, 2021, the Department of Defense announced a global posture review<sup>3</sup> that will assess the disposition of forces with those of allies to best

affect defense strategy. The Philippines will undoubtedly figure prominently given its strategic location. President Joe Biden has stipulated that defense and diplomacy go hand in hand,<sup>4</sup> but the U.S. strategic posture toward the Philippines should also include economics in order to be politically sustainable while addressing inevitable host nation “base politics.”

Base politics is a nexus of local and national politics in foreign nations regarding U.S. military bases. It involves national politics, security interests, local community relations, and economic ties. As such, it does not fit neatly into conventional constructs of international relations or defense strategy, but it is a reality that affects overseas military forces.

Professor Alexander Cooley, director of Columbia University’s Herriman Institute, notes that agreements for military basing among democracies are more sustainable than those negotiated with autocracies. Further, managing local politics around bases is critical, and U.S. bases should integrate into the local economy for mutual benefit. Moreover, transactional quid pro quo agreements should be avoided in favor of community or developmental investments proximate to the bases. For instance, basing agreements should include projects such as infrastructure development or transfer of common military equipment.<sup>5</sup> In the Philippines case, the U.S. confronts a favorable situation given its democracy and sustainment of U.S. military access despite several politically charged incidents. This is in part due to depoliticized processes of incident resolution and intensifying shared security interests.

## A Battle to Secure Allies

Today, U.S.–Philippines security interests overlap in the South China Sea, where both nations support a rules-based order that would deter Chinese encroachment. For the Philippines, this is more than a legal construct; it includes the security of fishermen, access to seafloor resources, and territorial integrity. It was one reason that the bilateral EDCA was agreed to in April 2014.

EDCA builds on the 1951 Mutual Defense Treaty (MDT), and both remain in force today despite an otherwise hostile president in Manila.<sup>6</sup> EDCA enables U.S. access to specific airbases and facilities within Philippine territory, allowing the United States to better support natural disaster response (e.g., Typhoon Goni in November 2020) and Philippine military action during the months-long 2017 Marawi siege against Islamic State affiliates.<sup>7</sup>

However, the contest over the Philippines is playing out across the diplomatic, military, information, and economic spheres. Failing to recognize this fact risks ceding important avenues to Chinese influence,

eventually undermining any chance of sustaining Filipino confidence in free markets, democracy, and an alliance with the United States. Concerted and well-financed Chinese influence campaigns—such as “China TV Theater” broadcasting on state-run Philippine television—may be working. A 2019 Pew Research Center survey showed that 42 percent of Filipinos have a favorable view of China versus 26 percent favoring the United States.<sup>8</sup>

## A Comprehensive Approach

Making a compelling case to the Filipino people for a free and open Indo-Pacific requires a comprehensive approach that marries economic development with visible benefits of mutual security obligations ensconced in the MDT. While China is the Philippines’ leading trade partner at approximately \$60 billion in 2019, Manila’s trade with certain free market allies (United States, Japan, Singapore, and South Korea) is comparable at \$65 billion.<sup>9</sup> It is sometimes asserted that the Philippines is a lost cause for U.S. strategic investment and diplomatic capital, but this is simply untrue.

Sadly, the recently released interim national security strategic guidance, despite stressing the importance of allies, fails to mention either the Philippines or the South China Sea, where hundreds of Chinese maritime militia are currently involved in an unfolding crisis being called “Scarborough Shoal 2.0.”<sup>10</sup> To counter Chinese influence and secure the alliance, both partners would be better served by remaining steadfast in their shared long-term interest and working through near-term differences, such as renegotiation of a Visiting Forces Agreement (VFA).<sup>11</sup> With this in mind, VFA renegotiations should not become a litmus test for sustaining the alliance—there is too much at stake.

What is needed is a compelling narrative backed by results. For example, when the South Korean company Hanjin went bankrupt in 2016, the strategically important Subic Bay shipyard was at risk of being taken over by China. Thankfully, the government-affiliated Overseas Private Investment Corporation—now the Development Finance Corporation (DFC)—brokered a deal that forestalled a Chinese takeover of this port.<sup>12</sup> That said, the DFC should develop infrastructure guided by the U.S. government’s economic interests and military operational needs in order to prevent being pushed out of friendly markets and security partnerships by the Chinese Communist Party. It was partly for this purpose that the DFC garnered bipartisan support when it was created in 2018, but it has since strayed from this intent considerably.<sup>13</sup>

There is some indication the current Administration is considering a foreign policy approach that benefits both partner nation and U.S. trade and security.<sup>14</sup> However, without engagement in all four spheres (military, economic, diplomatic, and political), it is unlikely Washington will attract and maintain the allies and partners it so desperately needs.

## Recommendations

For an archipelagic nation, such as the Philippines, maritime security and economic development tied to the ocean are inherent national interests. An approach acknowledging this element of the U.S.–Philippines alliance in a comprehensive framework is naval statecraft, which employs economic statecraft, military presence, and diplomacy to outclass China and Russia in today’s great power competition.<sup>15</sup> With this in mind, the following recommendations are provided:

- Establish a bilateral “3+3” diplomatic, economic, and security dialogue mechanism to advance a comprehensive strategic relationship with the Philippines. This body should be modeled on the Strategic Economic Dialogue previously held with China and focus on bolstering the alliance with Manila. This body should have committees dedicated to military access and basing, economic development and infrastructure investment, and mutual assistance in diplomacy and legal challenges regarding South China Sea disputes. This body would be chaired by the Secretaries of Defense, State, and Commerce in a “3+3” format of annual or semi-annual conferences. This signals intent and facilitates tangible commitment to enhancing a comprehensive strategic alliance, denoted particularly by the inclusion of the Commerce Department.
- Establish a policy committee to execute a two-year Philippines initiative. This team would develop a whole-of-government strategic plan that first sets favorable conditions to bolster the alliance within the first year of the next Filipino president’s administration. At a minimum, it should include senior representatives from the DFC, Office of the Secretary of Defense for Policy, Indo-Pacific Command, Commerce Department, and Department of State.
- Increase and then sustain a persistent military presence through a regimen of consecutive exercises in the Philippines. In conjunction with

this, leverage limited exercise-related construction in the near term to sustain these operations and provide benefit to local communities. To meet congressional limits, these projects would be capped at \$6 million to avoid prior approval or less than \$750,000 to avoid notification requirements.<sup>16</sup> In doing this, particular interest would be paid to investments related to Navy port visits and maritime patrol aircraft visits, the Army's Pacific Pathway's deployments, and Air Force deployments of tanker aircraft to locations such as Cebu and Puerto Princesa under the auspices of EDCA. These activities, conducted with support from the Philippine military, should highlight the comprehensive nature of the alliance, the contributions of the U.S. military, and the future potential of strong U.S.–Philippine relations.

## Conclusion

The Philippines's geographical situation makes it a uniquely important ally in the competition playing out with China. Unlike 1992, when the United States was the world's undisputed power, today's contest requires strong alliances more than ever. Because of the history and deep cultural ties that the United States shares with the Philippines, an alliance between them is natural in this prolonged competition. A sustained and comprehensive economic, military, and diplomatic approach is needed to steady and enhance this key alliance as another momentous election approaches.

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