

**PHILIPPINES – US TIES IN THE POST- COLD  
WAR ERA**

*Dissertation submitted to Jawaharlal Nehru University in  
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**MASTER OF PHILOSOPHY**

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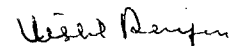
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### CERTIFICATE


Certified that the dissertation entitled “**PHILIPPINES – US TIES IN THE POST – COLD WAR ERA**” submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** has not been previously submitted for any other degree of this or any other university and is own work.

  
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We recommend that this dissertation may be placed before the examiners for evaluation.



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*To*  
*Mummy & Papa*

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## PREFACE

Never have the ties between two nation-states captured so much of scholarly attention and aroused such intellectual curiosity as the Philippines-US relationship. In a strict technical sense, the two represent a perfect model wherein a small state in a realist paradigm seeks and attains the support of a strong state. Interestingly, the links between the two are so special not only because of the nature and intensity of the relationship but also because of the long and enduring history that the two have shared over a period of time. The association between the two has survived the classical colonial times of the early twentieth century, the buffetings of the cold war and is all set to take off in a big way in the post-cold war era. So, a through and incisive analysis of their ties becomes all the more important because one of them happens to be none other than the sole superpower in the current world.

The role of the ASEAN and rising powers like China is also critical from a regional perspective. With the world in the shadows of the perpetual terrorist threat and the Philippines hosting some regional strands of the global terror network, the US has to court the Philippines. On the other side of the spectrum, in this age of globalisation of trade and investment, the Philippines has every reason to keep the leading military and economic power in good humour.

In this present dissertation, a humble attempt has been made to provide a comprehensive overview of the ties between the two countries. The first chapter goes back in history to unearth the colonial past, which had laid such strong foundations for such a strong and long-lasting connection. It also deals with the socio-cultural aspects of their relationship. The second chapter besides defining security, takes an in-depth look into the strategic and security dynamics that play a role in their relationship. The third chapter delves into the compulsions of economics that brings the two closer in the current globalised world in which the Philippines has no choice but to seek US cooperation for technology, investments, export access for their agricultural products and the rising services industry. The fourth chapter tracks the current events in the Philippines focusing on the initiatives undertaken by the Arroyo government both on the foreign policy front as well as within the domestic sphere. The fifth and final chapter has drawn out the conclusion of the entire research and has also endeavoured to offer practical solutions plaguing the relationship between the two.

The work is both descriptive and analytical in nature taking into account the present tools of realpolitik that states use to further their agendas and their direct or indirect impact on the bilateral relations between two players. It is a humble but sincere effort since research in the field is still in its infancy. The dissertation might prove timely keeping in mind the political stand-off in the Philippines in recent days and the loud silence coming from the United States.

## ACKNOWLEDGEMENT

*I would like to take this opportunity to express my deep sense of gratitude to my supervisor Dr. Shankari Sundararaman, for her guidance, careful and reasoned criticism, meticulous attention and encouragement. The present work bears at every stage the impressions of her invaluable suggestions which cleared my concepts and apprehensions. But for her constant guidance and assistance, I would not have completed this project. I would also like to record my sincere thanks to Dr. Ganga Nath Jha and Dr. Manmohini Kaul for their ever helping attitude.*

*I am also thankful to the staff of the Jawahar Lal Nehru University Library, the IDSA Library, the American Information Resource Centre, The Indian Council of World Affairs Library who made available important documents at opportune moments. My special thanks are due to Avinash and Print Media who unfailingly typed the whole dissertation flawlessly.*

*I am heavily indebted to my friends who constantly encouraged and supported me during the period of work directly or indirectly. Since they make a long list, I am deliberately omitting their names except for Santosh (especially), USP and Jasso without whose reassuring and concrete help this work could not have been possible. I cannot complete if I fail to mention my brother 'Vikas' name who has always been a troubleshooter for me.*

*At last, I take all responsibility for the mistakes and shortcomings that are in the dissertation.*

*New Delhi  
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## CHAPTER-I

### INTRODUCTION – HISTORY AND SOCIO-CULTURAL TIES

The more things change, the more they remain the same. Is this for real or has the nation state really travelled a great distance from the primitive tribal practices of booty looting since the age of antiquity to the modern times of colonialism and yet again, to the post-modernist era of neo-colonialism. None can dispute the Times of Trouble (to borrow Toynbee's phrase) the world is living in. And new doctrines and dogmas are being manufactured day by day to further the agenda of anyone who can dominate ideologically, militarily, economically or in any manner possible. With the cold war behind and the dark shadows of unilateralism hanging over the diplomatic landscape the world over, each and every nation state (barring a few) is tripping over each other to tidy up its ties with the sole superpower on the planet. The relationship between the Philippines and the United States seems to fit into precisely this theoretical framework. However, it would be rather simplistic to reduce the Philippines to just another political entity scrambling to place itself on the right side of the Americans. For, their relationship has been far more profound and enduring than an usual one. This can be traced to the history of their imperial association wherein despite the 'not very wholesome' legacies, they have managed to sustain an engaged relationship, notwithstanding the termination of the bases agreement in the early 1990s. This only reflects the expediency of the transformed global scenario and an academic enquiry into the ties between the two in the past cold war era would give us just the right means to comprehend the changing dynamics of international relations.

Before getting down directly to the substance of the topic, it is imperative to lay down the framework within which the subject would be covered. The bilateral ties between the two cover a comprehensive matrix of issues ranging from the history to the socio-cultural aspect, to the security dynamics to the economic dimension to the latest initiatives undertaken by the Arroyo government. The final concluding chapter would also entail practical solutions to the problems plaguing the Philippines – US ties.

As far the historical background, the Philippines and the United States have had a long shared period of association. But, before the advent of the US, the Philippine, had been at the centre of wars and voyages unleashed in Europe in the 15<sup>th</sup>-16<sup>th</sup> century which witnessed the conquest of the Philippines by the Spaniards. Going further back in history, it were the wars of the Crusades which had brought the people of Western Europe into closer contact with the East. This interaction had stimulated the Europeans' refined tastes for the Eastern luxury goods such as spices, dyes, perfumes, and precious stones etc, which were transported by ship or caravan to parts in the Eastern Mediterranean. While the Venetian and the Genoese Merchants brought these goods to Italy; Italian Middlemen took charge of the distribution in Western Europe. Since the Venetian naval power had closed the Mediterranean to them, the Spanish and the Portuguese were forced to finance voyages in search of new routes. It was during one of these ventures when Ferdinand Magellan stumbled upon the Philippines in 1521. However, it was in 1565 when the islands were actually colonized by Miguel Lopez de Legazpi. To place things in right perspective, such voyages and discoveries were to become a part of the world wide economic system which would entail a gradual transformation from a feudal economic order to the days of Mercantilism to finally evolve into something as lasting as the capitalist system. This process was initially marked by an era of primitive accumulation through instrument of piracy and plunder effected through the voyages and discoveries. Hence the genesis of capitalist world order can be traced to an unfair system where the very logic of its sustenance and survival was predicated on the subjection and exploitation of the peoples of Africa, Asia and Latin America. The great haul of precious metals from the American colonies of Spain only whetted her appetite, which led to her hankering after more and more colonies. But despite the fact that Spain commanded a huge empire, she herself became an economic appendage of the more developed capitalist states of Europe—first Holland, later England and France.<sup>1</sup> The accumulation of gold and silver was used to service

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<sup>1</sup> Constantino, Renato, *A History of the Philippines. From the Spanish Colonization to the Second World War*, p.15



Spain's mounting foreign debts to German and Italian banking houses which had been lending to the Spanish Monarchs to finance their voyages. Ironically, it was this obsessive pre-occupation with search for gold that led to the underdevelopment of Spain vis-à-vis the developing economy of England.

Besides the obvious economic rationale, there was a religious dimension to the issue of voyages and discoveries. The theo-political character of Spanish colonialism in the Philippines can be better gauged through the relations between the Spanish monarchy and the papacy. The embattled papacy at this stage had to grapple with the newly emerging states and at the same time vigorously work for the Christianisation of the world.<sup>2</sup> However, the dominance of the papacy can't be underestimated in view of the allocation of the newly discovered territories to the Spanish sovereigns by Popes themselves through the issuing of bulls. Nevertheless, the religious logic advanced by the scholars is merely a camouflage for the more pressing and relevant economic expediency.

Coming back to the topic under study, the Philippines has been called the "Pearl of the Orient Sea" ever since national Martyr-hero Jose Rizal so described it in his immortal poem *Mi ultimo adios* (My Final Farewell). Geographically, it comprises 7100 islands of which only eleven form the bulk of the landmass.<sup>3</sup> A little larger than Great Britain and Ireland and a little smaller than Spain, the Archipelago with its enclosed waters lies along the western limits of the Pacific Ocean, running through seventeen degrees of tropical latitude. The islands of Luzon in the north and Mindanao in the south make up two-thirds of the land area. Between the two lie Mindoro and Palawan to the west and the Visayas in the centre; the whole enclosing large internal seas. As far the ethnic composition of the islands, according to anthropologist H. Otley Beyer, the Philippines have 45 ethnographic groups distinct in economic and social life, languages and often in physical characteristics.<sup>4</sup> Among the principal groups, the Visayans who inhabit the sugar-rich central islands constitute the most numerous divisions. They are sometimes characterized as being the most carefree and most

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<sup>2</sup> Constantino, n. 1, p. 17.

<sup>3</sup> The Encyclopedia Americana, vol. 21, p.749.

<sup>4</sup> Ibid., p. 753.

Spanish in their music and folkways. The Tagalogs in Luzon from the provinces adjacent to Manila are thought to be the most home loving and learned of Philippines; the Iloconos from the north the most energetic, thrifty and migratory; and the Pampanguenos from the central plains, the sharpest in trading. The Muslims in the far southern islands are considered the most independent minded Filipinos. They are the largest of the non-Christian Minorities, which constitute approximately 8% of the population. The Spanish Christian onslaught couldn't manage to overwhelm them. It was in these southern areas that witnessed the origin of the subsequent more problems, which have ravaged the country even till now. Besides, the mountain people of northern Luzon include the Ifugaos, Bontoes, Benquets, Kalingas and Apayaos. The estimated 500,000 Chinese present a special problem, for even though traditionally they have managed the economy as financiers and entrepreneurs, they have not been allowed to become naturalized.<sup>5</sup> Distrusted by the Spaniards, the Chinese were restricted to a special district outside the walls of Manila. Filipinos inherited this distrust and despite famous patriots from the Chinese population, its loyalty is constantly questioned. In terms of religion, while 86% of its people are Roman Catholics, 5% Aglipayans (Philippine Independent Church), 4% Muslims, 2.5% Protestants (including Iglesia ni kristo, founded in 1914) and 2.5% animists.<sup>6</sup> Such a diversified social composition only reinforces the heterogeneity of the national population which only made it easier for the outsiders to make inroads, rule it, convert its people, utilize its resources to the advantage of the mother country and so eventually to colonise it. In fact, the Filipino people have had the misfortune of being "liberated" four times during their entire history. First, came the Spaniards, who "liberated" them from the "enslavement of the devil", next came the Americans, who liberated them from Spanish oppression, then the Japanese who liberated them from American imperialism then the Americans again who liberated them from the "Japanese fascism". And after every "liberation", they found their country occupied by foreign "benefactors".

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<sup>5</sup> Encyclopedia Americana, n. 3, p.754.

<sup>6</sup> Ibid., p.755.

As far the Americans, their sense of history makes an interesting study, which was wedded to the exaggerated notions of justice, and fairplay, which seemed to attenuate their predatory or rather colonial sensitivities. In fact, there is an element of altruism, which claimed to have guided their colonial ventures. As Albert Beveridge, historian and senator from Indiana, once explained, - "To have an empire one must have a monarchy."<sup>7</sup> Americans, altruistically went to war with Spain to liberate Cubans, Puerto Ricans and Filipinos from their tyrannical yoke. If they lingered on too long in the Philippines, it was to protect the Filipinos from European predators waiting in the wings for an American withdrawal and to tutor them in American-style democracy. The task was complicated by ethnic and class divisions and the alleged need to protect Ilocanos, Visayans and others against the dominant Tagalog. If the Yankee presence was bloody initially, it was in the end, ephemeral and supposedly most beneficial to the Filipinos, leaving behind better transportation, mosquito-control, the work ethic, the seed of Protestantism and that perfect symbol of American beneficence, the ubiquitous school house.

Such patriotic intellectualisations however seems to have gone overboard when we take a closer look at the events preceding the Spanish-American war. They only reinforce the fact that the colonial bug, which had caught Europe, didn't leave the Americans, untouched. Delving into their colonial history, it is noted that from the beginning of the China trade in 1785, the US increasingly became England's junior partner, lending moral support to gunboat diplomacy and reaping treaty benefits after each British assault.<sup>8</sup> Isolationism didn't apply to the Pacific and it was no accident that the first formal American military venture with European allies since the Revolutionary War Alliance with France was in China during the Boxer Crisis of 1900. Indeed, all of the early plans for a formal empire focused on the China trade. Hawaii, Midway and Pago Pago were pictured as stepping-stones to China. The acquisition of Alaska and the Aleutians was rationalized as providing a northern outpost to tap the elusive

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<sup>7</sup> Miller, Stuart Creighton, *Benevolent Assimilation : The American Conquest of the Philippines, 1899-1903*, p. 2.

<sup>8</sup> *Ibid*, p. 4.

wealth of old Cathay. So, an American empire without a credible global navy would have made little sense. In 1883<sup>9</sup>, Congress allocated fresh funds to construct a new navy. With great fanfare, blaring headlines and front-page illustrations, the public over the next decade followed one fast, lightly armed cruiser after another down the ways, out to sea trials, and on to fleet assignments. In 1890, attention shifted to newly built battleships, as each in turn became a journalistic celebrity. A Naval War College was founded in 1884 at Newport, Rhode Island to teach naval officers the latest in sea borne weaponry and tactics.<sup>10</sup> While modern fleet was being assembled, a rationale to justify imperial ambitions war allegedly being put together, notwithstanding the nation's political tradition of anti-colonialism the Declaration of Independence, Monroe doctrine and isolationism. The maturing industrial economy needed outlets for surplus goods and capital. A particularly severe depression between 1893 and 1897 may have enhanced the importance of securing these outlets. There was also the fear that trade and investment barriers would be raised around the world as the major powers, would intensify their scramble for colonies. At the same time, historians have argued that the Americans were made uneasy by the official declaration following the 1890 census that the frontier no longer existed and the Senator Orville Platt advised – “It is to the oceans that our children must look as we once looked to the boundless west.” Some Americans also believed that England's power had peaked and urged that the United States pick up the reins of international leadership from her. Some reasoned that historical inertia made this inevitable: from the cradle of civilization in Mesopotamia to the Nile valley, Crete, Greece, Rome, Spain, France and finally England, the course of imperial power had been relentlessly westward. There was also a good deal of obnoxious Anglo-Saxon notions that envisioned American world leadership or somehow racially inevitable – the nation's “manifest destiny”<sup>11</sup>, as Harvard's Professor John Fiske called it in his celebrated lecture published in Harper's in 1885, that same year, the home missionary Josiah Strong published a popular book in which

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<sup>9</sup> Miller, n.7, p. 5.

<sup>10</sup> Ibid.,

<sup>11</sup> Ibid., p. 6.

he asked rhetorically – “Does it not look as if God were not only preparing in our Anglo-Saxon civilization the die with which to stamp the peoples of the earth, but as if he were massing behind that die the mighty power with which to press it ?”<sup>12</sup>

Such loud and blatant assertion of racial supremacy only betrays, the ‘colonial altruism’ of the Americans. In fact, the growth of the US as a world power and the distaste with which she viewed Spanish colonial conduct in her residual empire were matched by her vigorous worldwide commercial penetration. Even before the outbreak of the Spanish-American war. United States politicians had considered the risks and the benefits of intervention in Spain’s empire and relations between Washington and Madrid had already been worsened by the latter’s growing impatience with American commercial penetration. Thus, a serious explosion, which occurred on board the USS Maine, lying in the harbour of Havana on 15<sup>th</sup> Feb 1898, provided the opportunity for the US to intervene public opinion in America contributed to the deterioration of the situation and an ultimatum was delivered to Spain demanding inter alia, withdrawal from Cuba. On 24<sup>th</sup> April, Spain declared war on the US as the direct result of the exchange. There is no doubt whatsoever that firm if somewhat loosely framed contingency plans had been drawn up for the American occupation of the Philippines on any outbreak of hostilities with Spain. In the event, the United States Asiatic Squadron, commanded by Commodore Dewey immediately received orders to proceed from Hong Kong to Manila to destroy the Spanish fleet. The battle of Manila Bay took place on 1<sup>st</sup> May 1898; six days after Dewey had received these instructions. This battle lasted some seven hours and on the surrender of the Spanish Admiral Patricio Montojoy Pasaron, all of his twelve vessels had either been sunk or badly damaged. Maritime power was not sufficient for the next logical step: the invasion of Manila and the destruction of Spanish authority in the Philippines. It was necessary, therefore to await military land forces. The first of these came from the Philippines itself. The Philippine soldiers had to be won over. Their leaders like Aguinaldo consenting to assist the Americans, reorganized the forces which had laid down their arms after the Pact of

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<sup>12</sup> Miller, n. 7, p.6.

Biaknabato in 1897.<sup>13</sup> By mid-August, the Philippine forces had joined hands with the Americans under Dewey and on 13<sup>th</sup> August, Manila was captured by American and Philippine forces: the day after surrender documents were signed. The war continued to be fought all over the islands for another eight months, but by the Treaty of Paris, signed on 10<sup>th</sup> Dec. 1898, Spain ceded the Philippines, Guam and Puerto Rico to the US and abandoned Cuba. In compensation, she received \$20 million. However, the defection of Aguinaldo to the Americans' side can't hide away the fact that there had indeed been dissensions within the Filipinos' side as evident by the sudden assassination of General Luna who was reportedly not in favour of joining hands with the Americans.<sup>14</sup> The Treaty of Paris provided for the cession of the colony to the US, but in accordance with its clauses the political future of the Philippines was to be decided by the Congress. When there was a demand for immediate independence by the Filipinos who had assisted the Americans, the Americans led by President McKinley backed out. The reasons cited by the American government were mainly two- firstly the Filipinos were unfit for self-government and secondly, that evacuation of Manila would leave the islands open either to European intervention or to anarchy and indigenous misrule. It eventually implied the age-old colonial pretext – “the white man's burden”. So, the die was cast. American policy was clarified. The islands were to be completely occupied and pending the recommendations of a commission, a military government established. The Philippine forces led by Aguinaldo felt betrayed which led to the establishment of a republican government backed by a written constitution called the Malolos constitution. However, the US was relentless and with the capture of Aguinaldo in the remote town of Palanan on the northeast coast of Luzon on 23<sup>rd</sup> March 1900, the Filipinos' fate was sealed.<sup>15</sup> Taken to Manila, Aguinaldo almost immediately took an oath of allegiance to the US.

The above events very clearly unravel the fact that the Americans conquest of the Philippines was not a one-day affair owing to a snap decision.

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<sup>13</sup> Lightfoot, Keith, *The Philippines*, p.111.

<sup>14</sup> Jose Vivencio R, *The Rise and Fall of Antonio Luna*, p.386.

<sup>15</sup> Constantino, n. 1, p.228.

There was a long-term deep-rooted strategy in the scheme of American policy makers. They did not want to lose out in any way in the rat race for newer colonies and territories. Besides, an addition to their imperial dominions wouldn't do any harm anyway.

So, with their stamp of authority fully established, the Americans initially went into overdrive to pacify and placate the Filipino people. The basic strategy was to first pacify and then assimilate while a political and social demonstration was made to convince the Filipinos of the merits of this new western way of life. Despite fears and alarms, the Roman Catholic faith was maintained and even encouraged although freedom of religious belief was introduced, the church formally separated from the state and for a time, numerous non-conformist protestant movements from American concentrated on the country. Initially, the Americans put together a military government which lasted from 1898 to 1901. Some of the remarkable achievements attained by this government-included reorganization of the Philippine judiciary (setting up of Supreme Court comprising six Filipino jurists and three American army officers).<sup>16</sup> The ports including Manila were reopened. Most importantly, there were popular elections, held in municipalities responsible for the initial appointment of able Filipinos to high positions in the government. The military government's status was that of a temporary expedient, the US authorities depending on it to maintain peace and order while a more liberal and fitting pattern of government could be worked out. Thus, during its own lifetime, the military government's, replacement was being studied. The Schurman Commission<sup>17</sup> was instituted to recommend changes in the structure of government that was to be effected by transfer of power from the military to a civilian government. The commission in the first place reaffirmed unequivocally that the US was there to stay in the islands and pledged to govern the Filipinos for the good of the Filipinos-Working on the basis of this Commission's report another commission was constituted under Mr. William H. Taft in April 1900.

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<sup>16</sup> Ramirez, Efren V. and Lee, German G. *Philippine History and Government*, p.98

<sup>17</sup> Jose, n. 13, p.249.

Taft is gratefully remembered by many Filipinos for enunciating the policy of the "Philippines for the Filipinos". However, nothing is farther from the truth as this policy fell squarely within the imperial framework as evident by a letter to H.C. Hallister dated Sept. 21, 1903.<sup>18</sup>

"We have in these islands possibly eight thousand Americans and we have about eight millions of Filipinos. One would think that a child in business might understand that the worst possible policy in attempting to sell goods is to abuse, berate and vilify (sic) your only possible customers."

By the Spooner Amendment<sup>19</sup> (a rider of the Army Appropriation Act of March 3, 1901) the military regime in the country was put to an end. On 4<sup>th</sup> July 1901, the civil government was inaugurated in Manila with Judge William Howard Taft as the first civil governor. The Governor, General was appointed by the President of the United States with the advice and consent of the US senate and made to held office at the pleasure of the President until his successors had been chosen and qualified. The Philippine Bill of 1902 otherwise known as the Cooper Act established the Philippine Assembly as the lower chamber of a bicameral legislature whose upper house was the Philippine Commission.<sup>20</sup> Besides ratifying the prior establishment by the US President of other instrumentalities of government such as the Philippine Commission, the Civil Governor and his subordinates, and the Supreme Court, the Act also empowered the Philippine legislature to elect two resident commissioners to the US. Moreover, it also provided for a bill of rights. Elections to a Lower House of 80 members took place in 1907 and the first Philippine Assembly met in October of that year.<sup>21</sup> The Governor General retained wide power during 1906-13, an imperative in a situation which had to be carefully studied and where politicians had little experience of parliamentary rule. A rudimentary political culture was fostered wherein

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<sup>18</sup> Constantino, n.1, p. 292.

<sup>19</sup> Ramirez, n.16,p. 212.

<sup>20</sup> Constantino, n.1,p. 298.

<sup>21</sup> The Encyclopedia, n. 3,p.759k.



debates and discussions were encouraged among the upcoming elite politicians. Some of the important political parties that made a name for themselves were Progressive Party, and the Nacionalista Party. In order to cater to the non-Christian people, a bureau of non-Christian tribes was established and two minority provinces set up in Moro in 1903 and mountain province in 1905.<sup>22</sup>

Before the outbreak of the Second World War, two further phases in Philippine political evolution took place. In 1913, the Philippine Commission, which served as the Upper House was remustered with the Filipino members being given a majority by Governor General Francis Burton Harrison – five out of nine seats. The Jones Law<sup>23</sup> enacted by the US Congress in 1916, confirmed an American intention to grant complete independence as soon as the conditions were appropriate. The second stage towards independence was the establishment of the commonwealth in 1935. After considerable Philippine lobbying in Washington, the Tydings – McDuffe Act was passed in 1934.<sup>24</sup> It authorized the Filipino people to elect a constitutional convention and through it to frame the constitution of their future Republic. This constitution would not however take effect in its entirety until the grant of complete independence in 1946. During the intervening transition period, the Philippines would have the status of a self governing commonwealth, but with the United States, retaining certain sovereign powers, such a control over foreign policy, and responsibilities, such as that of defending the territory against external attack. During the transition period, duties would be imposed on Philippine products entering the US on a graduated scale, in order to enable the Philippines to make a gradual adjustment of its economy to that of an independent nation without preferential treatment in the American

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<sup>22</sup> Lightfoot, n. 15, p.114.

<sup>23</sup> Ibid., p.116.

<sup>24</sup> Ramirez, n. 16, p.159.

market. On 15<sup>th</sup> Nov. 1935, the commonwealth was inaugurated with Manuel Quezon as President and Sergio Osmena as Vice President.<sup>25</sup>

Thus, the Americans seemed to have found a great way of pursuing their colonial policies while at the same time making a successful attempt to keep the subjugated people in good humour. The new administration once it had decided to stay, moved vigorously with a liberal foresight. Wherever violence was offered, as it sometimes was in both the Christian and Muslim areas, it was met by force, often of a harsh and unswerving nature. The American's true colours can be seen in their economic policies which betrayed their colonial intent. The dogma of free trade was floated in order to suit the American business interests. Initially, their hands, were tied since the Treaty of Paris provided for a ten-year period during which Spanish ships and goods could enter the Philippines on the same terms as American ships and merchandise. So, the US had to wait until 1909 to implement all its plans to benefit American businessmen who were clamouring for free trade. Their wishes came true with the passing of the Payne-Aldrich Act<sup>26</sup> in 1912 under which all American goods, could enter the Philippines free of duty and in unlimited quantities. However, because of the objections of the sugar and tobacco interests, quotas were imposed on the entry of Philippine sugar and tobacco. In addition, American rice growers successfully blocked entry of Philippine rice. By 1913, however all quota limitations were abolished by the Underwood-Simmons Act.<sup>27</sup> The free trade relations continued until 1934. Besides, the Friar Lands Act prescribed the conditions for the sale and lease of the friar estate, with preference to be given to some sixty thousand tenant who worked the land. The purchase of the friar haciendas was a shrewd political move designed to gain the goodwill of the Filipinos and thus help reconcile them to American sovereignty. However, the government obviously had no serious intention of implementing the

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<sup>25</sup> The Encyclopedia, n.3, p. 759k.

<sup>26</sup> Constantino, n.1, p. 296.

<sup>27</sup> Ibid., p.297.

declared objective of giving preferable treatment to the tillers, for by insisting on setting a selling price which would allow it to recover the purchase price plus the interest on the bonds it had floated to raise the cash, it in effect put the land beyond the reach of most tenants. So, the scheme turned out to be attractive to a rich corporation like the Sugar Trust. In the agricultural sphere. The Americans land policy in the Philippines was rather conservative. Although the colonial government declared its desire to broaden the base of independent land ownership, American interests lay is not disturbing – and indeed in strengthening the Filipino landed elite. Economically, it was the land-holding of the elite that provided the raw material, which the Americans required. Politically, the landed elite constituted the most stable allies of American colonialism and many of them were recruited into office. Their prosperity gave them a definite stake in the colonial set up. The following facts and figures demonstrate how quickly the economy of the colony was taken over by American business and tied securely to the American economy. In 1900, the US share in the total value of the import and export trade of the Philippines was only 11%. This figure rose sharply: by 1910, the US share was 41%, by 1920, it was 65% and by 1935, 72%. In 1899, the Philippines purchased only 9% of its total imports from the US; by 1933, the figure had risen to 83%.<sup>28</sup> The colonial policy ensured that the country would remain a raw material producer and manufactured goods importer and therefore would always remain at the mercy of industrialized nation, particularly the US. To make matters worse, the people shared only Minimally in the temporary boom period. Of their agricultural products, the lion's share of the profit going into the pockets of foreign investors and the rest to the Filipino landowners.

The Philippines was pushed into the vortex of the second world war when the Japanese forces landed in Manila in Dec. 1941. the Japanese declared it an independent Republic within the 'Great East Asia

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<sup>28</sup> Constantino, n.1, p.301.

Co-Prosperity Sphere'. However, the Japanese didn't go unchallenged. The Hukbalahap or Huks (People's Army Against Japan) was formed in March 1942. Operating in central and southern Luzon, Huks continually harried Japanese forces, but they also strongly opposed the indigenous landlord class. After the peace with Japan in 1945, the Huks turned their efforts towards gaining control of the Philippine government through political channels. Failing in this attempt, they began a civil war in 1946. They changed their name to People's Liberation Army (Hukbong Magpalayang Bayan, or HMB).<sup>29</sup> But the popular term Huk has remained in common usage. Nevertheless, in the course of the war, it was US which once again delivered the Filipinos, but this time from the savagery and brutality of the militarist Japan. As laid down earlier, Philippine, became independent on 4<sup>th</sup> July 1946 with Manuel Roxas as the President. This was followed by the passing of the two legislations of Philippine rehabilitation Act and the Philippine Trade Act by the US Senate which reflect, the primacy of the Philippines in US government's policy making. The Rehabilitation Act was to provide for a sum of \$ 620,000,000 for rebuilding of Philippine economy after the war.<sup>30</sup> However, the implementation of this Act was made conditional on the approval of the Philippine Trade Act the terms and conditions of which clearly gave away the more than philanthropic nature of the Americans. Under the Philippine Trade Act, there was to be a transitional period of free trade both ways up to 1954. Tariff duties would reciprocally be imposed gradually thereafter and by 1974, full duties would be collected. Besides, according to Title III, Section 343 of the Trade Act tied Philippine Peso to the US dollar and barred monetary authority from adjusting to changing international monetary circumstances on its own.<sup>31</sup> However, the most controversial clause was Section 341 dealing with 'Parity Rights' under which the

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<sup>29</sup> Scaff. Alvin H, *The Philippine Answer to Communism*, p.3.

<sup>30</sup> Jonathan Stromseth, "Unequal Allies: Negotiations over US Bases in the Philippines", *Journal of International Affairs*, vol.43, No.1, Summer/Fall 1989, p.164.

<sup>31</sup> Kaul, Manmohini, *Philippines and Southeast Asia*, p.41.

Americans, and Filipinos exercised equal rights in exploitation and development of natural resources and in operation of public utilities.<sup>32</sup> The President of US also retained the right to suspend the Philippine Trade Agreement.

This apparent mortgaging of Philippine national interests and economic sovereignty wasn't quite unjustified. The people had just experienced the ruthless Japanese regime for three years and the economy was in dire straits. The advent of Americans as saviours had kindled a new ray of hope and aspiration for the Filipinos. Moreover, there was always the internal security threat from the Huks within the country. Hence, the Filipinos solicited US help and US promptly obliged. This search for security guarantee culminated in the much talked about Military Bases Agreement (MBA) of 14<sup>th</sup> March 1947 under which the Philippines granted rent free use of 23 base areas-most notably Subic Bay Naval Base and Clark Air Base - on 600,000 acres of land extending through 13 provinces.<sup>33</sup> The MBA also accorded the US complete operational control of the bases for a period of 99 years. Besides the security perspective from the Philippine point of view, the bases provided to be an important source of income and employment subsequently. In 1969, the US spent \$ 133 Million on its bases which was about 2.5% of Philippine GNP<sup>34</sup> and had a favourable impact on the balance of payments position of the Philippines. The number of people employed at the three main US bases, viz Clark Air Base, Subic Air Base and Subic Naval Base in 1969 was 48,600 and in addition, about 50,000 people were engaged in various business activities in the vicinity of the bases.<sup>35</sup>

From the standpoint of the US, the bases constituted the cornerstone of its Pacific strategy that afforded operational manoeuvrability in three regions – South east Asia, the Indian ocean and

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<sup>32</sup> Kaul, n.31, p. 42.

<sup>33</sup> Jonathan, n.30, p.164.

<sup>34</sup> Kaul, n.31, p.45.

<sup>35</sup> Ibid.

to a lesser extent, North east Asia. The US Pacific Command (PACOM),<sup>36</sup> the largest of the unified military command, was responsible for all military operations from the west coast of the US to east coast of Africa. The Philippine bases were to serve as a back-up base structure in case of threats to security of US bases in Japan and South Korea. They were also to serve as a stepping stone on the long southern route from US to North east Asia. However, the most obvious role for the base, was in South eastern theatre. During the Vietnam war, Subic and Clark were used in channelling men and material to mainland Asia. After the land war fiasco in Vietnam, US was likely to concentrate more on defence of air and sea lanes of communication through Subic and Clark in South east Asia. From bases at Cam Ranh Bay and Danang, Soviet submarines and aircraft could threaten US lines of communication to Thailand, Malaysia, Singapore and Indonesia. Significantly, Cam Ranh Bay had the largest concentration of Soviet naval units and aircraft deployed outside the Warsaw Pact. So, this immediate threat perception made the US military presence even more relevant.

Furthermore, there were certain provisions in the MBA that reinforced the American predominance during the negotiations. Unlike the basing arrangement, with partners in NATO, there were no stipulations for early termination. American personnel in the bases also benefited from extra-territoriality (exempt from Philippine laws), and the US even had jurisdiction to try Filipino civilians for offences committed within the bases. Most outrageously, only the American flag was authorized to fly over the base areas.<sup>37</sup> When the Filipinos objected to these terms, particularly with respect to extra-territoriality, the American negotiators threatened to withdraw the bases to Guam, Tinian or elsewhere.

Meanwhile, the tide of communism seemed to be attaining its full height as illustrated by Mao's victory in China and the Korean war.

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<sup>36</sup> Gregory P. Corning, "The Philippine Bases and US Pacific Strategy", *Pacific Affairs*, vol. 63, no.1, spring 1990,p.7.

<sup>37</sup> Jonathan, n.30, p.165.

The US realized that the Philippine factor in its entire strategic calculus had attained even greater significance and readily consented to and negotiated the US-Philippines Mutual Defence Treaty (MDT) in 1951. It committed the US to defend the Philippines against external aggression, though not with the 'automaticity' of NATO agreements.<sup>38</sup> However, the ambivalence vis-à-vis the MBA continued to trouble the Filipinos and a vast section of them still considered the bases as a compromise with national sovereignty. Such apprehensions were slightly allayed when US President Nixon reaffirmed Philippine sovereignty over the bases in a joint statement with President Magsaysay on 4<sup>th</sup> July 1956. Then in 1959, the Bohlen-Serrano Agreement was signed that reduced the duration of the MBA to 25 years.<sup>39</sup> It also provided that Washington would consult with Manila before introducing long-range missiles into the bases or using them for operations other than those arising from the MDT. The Accord didn't go into effect till 1966 when the MBA's expiration date was officially set on 16<sup>th</sup> Sep. 1991 after which either side could withdraw from the agreement upon one year's notice.<sup>40</sup> A Mutual Defence Board was established and the sovereign right of Philippines to fly its flag over the bases was recognized. On the issue of criminal jurisdiction, the provision giving US Military tribunals jurisdiction over offences committed by Filipino civilians was abrogated. Philippine courts were also granted jurisdiction over crimes committed by US soldiers acting "off duty". However, the discretion to decide on the nature of duty lay solely with the Americans.

As Vietnam loomed large, the US had unwittingly got itself entangled in a long drawn out land battle. The South East Asian Treaty in 1954 was another extension of US' strategic network in Asia Pacific. By sending non-combatant troops PHILCAG (Philippine Civic Action Group) to South Vietnam, the Philippines had been caught on the wrong foot as it

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<sup>38</sup> Jonathan, n.30, p. 165.

<sup>39</sup> Gregory, n.36, p.15.

<sup>40</sup> Jonathan, n.30, p.166.

laid bare the contradictions in its general foreign policy. While on the one hand, it harped on “Asian solution for Asian Problems”, it supported the US’ misadventure in Vietnam on the other. With ASEAN coming up in 1967 and the Philippines being a founder member, it again had an impact on the US-Philippines relations. Before ASEAN, the emergence of Maphilindo underlined the dynamics of relations among the Philippines, Malaysia and Indonesia. Generally, Philippines had found itself more in line with foreign policy perceptions of Indonesia and maintained a somewhat estranged distance with the then Malaya, especially on the question of Sabah in North Borneo. This was also because of Indonesia’s own reservations about the Federation Plan of Malaya and apparent non-existence of any territorial dispute between Philippines and Indonesia. Incidentally, even the US was more sympathetic towards the Malays on Sabah. However, it doesn’t quite imply that Indonesia didn’t have any differences with the Philippines. Indonesia did not exactly appreciate the strong US connection in the larger context of the cold war. Moreover, there was the problem of illegal immigration from Indonesia into Southern Philippines. This trilateral equation between Indonesia, Philippines and Malaysia seemed to have attained a semblance of stability with the formation of Maphilindo in 1963.<sup>41</sup> While Indonesia and Philippines viewed it as an alternative to the proposed Malaysian Federation, the Malays went along with it so as not to antagonize their neighbours when the process of Federation was actually underway.

With the Vietnam war getting increasingly unpopular and Nixon’s enunciation of the Gaum Doctrine in 1969, the Filipinos felt the compulsion to recast their foreign policy framework. The Symington hearings of 1969, a Congressional reappraisal of US foreign policy as a result of Vietnam experience further alarmed the Philippines. It was concluded at the hearings that the technological advancements such as the Polaris submarine had diminished the need for American bases in the

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<sup>41</sup> Kaul, n.31, p.84.



Philippines. The US-China rapprochement in the early 1970s further created foreign policy predicament for the Philippines. The President Marcos responded to these events by diversifying his foreign policy options – in effect signalling Washington that he could no longer be taken for granted. Among the six guidelines for Philippine policy that he laid down, relations with ASEAN came first, normalization with Beijing and Moscow came second, while continuing a ‘healthy relationship’ with US came last.<sup>42</sup> In his opening statements on radio and TV on the occasion of Independence Day in the Martial law or ‘New Society’ era, Marcos harped on the four freedoms-Freedom from Want, Freedom from Fear, Freedom from Ignorance and Freedom of Self Determination. They were to underline the government’s orientation towards an independent foreign policy backed by a self-sufficient domestic policy.<sup>43</sup> However, the translation of these principles into practice was easier said than done-Marcos’ domestic compulsions in the wake of the declaration of Martial law and imposition of a clampdown on any democratic dissent made him even more dependent on the US. The new economic policies based on export-oriented, authoritarian developmental models demanded an increase in foreign investment and in this regard, US once again rose to the occasion. Marcos was further handicapped by the growing secessionist movements in the southern regions led by the Moro National Liberation Front. On the economic front, there was a nine-fold increase in US investment from \$ 8.7 million in 1972 to \$ 72 million in 1973.<sup>44</sup>

However, this dependency factor worked not only one sided. The US too needed Philippines as much as exemplified by Ford’s enunciation of Pacific Doctrine in 1975 when he categorically stated that the US intended to ‘remain actively engaged’ in the region and that American strength was ‘basic to

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<sup>42</sup> Jonathan, n.30, p.168.

<sup>43</sup> Francisco S Tatad, ed. , *A Dialogue With My People* (Selected Speeches of Ferdinand E Marcos.Sep.1972-Sep.1973), p.169.

<sup>44</sup> Jonathan, n.30, p.169.

any stable balance of power in the Pacific'.<sup>45</sup> This sense of urgency was further vindicated by the Vietnamese invasion of Cambodia and Vietnam's invasion by China. In order to dispel any cloud of misgivings and misunderstanding, the two sides came to the negotiating table in 1976. The Muslim insurgency in the south and martial law regime remained Marcos' best bet to justify the continuation with the MBA. He intended to use the bases as a quid pro quo for an expanded security commitment and increased compensation in the form of military aid. However, the 1976 negotiations collapsed due to a deadlock on five major issues – the viability of the MDT, Compensation, Criminal jurisdiction, Operational control of the bases and Nuclear weapons.<sup>46</sup> The Americans objected to provisions in the draft treaty that forbade the US to "introduce, store or install in the Philippines, nuclear weapons, or components thereof." Similarly on questions of criminal jurisdiction, they remained dead locked as to which country should determine official duty status. Another crucial sovereignty issue centred on command and control of the bases. The Americans had agreed to Philippine proposals that bases should be renamed Philippine Military Bases, that the Philippine flag should fly over them and that the base commander should be a Philippine Officer. However, it was on the role and responsibilities of Philippine base commander that the negotiations hit a roadblock. Then the issue that most occupied Marcos was the Mutual Defence Treaty. He sought to expand the defence treaty in two ways... Firstly, he designed it to include the 'automaticity' of NATO treaties without a reference to the American constitution. And secondly, he wanted the treaty to include the Reed Bank, with rich mineral and oil deposits potential. On the compensation question, while Marcos demanded \$2.5 billion over a five-year period, the Americans could not go over \$ 1 billion.

The apparent collapse of the 1976 negotiations necessitated reworking out the outstanding issues. However, the terms of agreement thrashed out once again did not wholly fulfil the Filipinos' aspirations. On the matter of base commander, the two sides agreed that US commander would perform their

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<sup>45</sup> Jonathan, n. 30, p. 170.

<sup>46</sup> Ibid., p.173.

duties guided by respect for Philippine sovereignty on the one hand and unhampered US military operations on the other. The Philippine commanders were given the authority to 'formulate, issue plans, policies and implementing directives concerning security, administration, maintenance of order and related matter, applicable throughout the base'. These powers were tempered however by a provision stating that the Philippine commander had no authority over US facilities, American military personnel or civilian employees unless one of the US commanders concurred with them. On criminal jurisdiction, Washington made no concessions. The compensation was kept to a moderate level. From the Philippine point of view, the military installations were designated as 'US facilities on Philippine bases' over which Philippine flag would fly alone and a regular five-year review schedule was agreed upon. Washington's concessions on the sovereignty issues helped to quell the nationalistic criticism of the bases, and the increase in Military aid helped to secure the loyalty of his armed forces.

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However, the 1979 negotiations reinforced the sense of interdependence and mutuality between the two parties. This phenomenon was more than obvious during the 1983 MBA review. The Raegan administration agreed to make its "best effort" to secure \$ 900 million for Philippine over five years and Marcos assured that US Military operations would be unhampered. The Soviet naval build up at Cam Ranh Bay in Vietnam had by this time sharpened the American commitment to the bases and Washington also needed to protect its long term ally from a burgeoning communist insurgency.

However, with the fall of Marcos and accession of Corazon Aquino to power in 1989, a more open Philippine policy both complicated the negotiations and diminished US' bargaining leverage. It was evident during the 1988 MBA review when Manila adopted a more assertive and demanding stance. The Foreign Secretary Raul Manglapus demanded \$ 1.2 billion per year from Washington and told the Americans to "pay up or move out". After an intense seven months of negotiations, a review agreement was finally reached. US had to agree to a compensation



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package of \$ 962 million (a 267% increase) for the MBA's remaining two years of which \$ 400 million was designated to be military aid. Reluctantly, US agreed to allow Manila to use part of new economic support funds to reduce its \$ 2.8 billion foreign debt and export credits and investment guarantees of up to \$ 500 million were made available to Philippines through 30<sup>th</sup> Sept. 1991. Manila also gained the authority to prohibit the storage of nuclear weapons on Philippine territory.

An effort to limit US contract in basing agreement was also apparent in Article XVIII of 1986 Philippine constitution, which stipulated that after the expiration of MBA in 1991, any future agreement would be subject to approval by the Philippine Senate.<sup>47</sup> As for the mandate of the people was concerned, the nation's opinion makers, including journalists and politicians were nearly unanimous in calling for eventual removal of the bases. The bases were increasingly associated with social problems including prostitution, AIDS and tragic plight of street children fathered and abandoned by American soldiers. The most extreme expression of anti-base sentiments was the Resolution 601 passed by the Senate that stated that the bases agreement must not be renewed and that the troops and facilities must be removed by Sept. 16<sup>th</sup> 1991.

Meanwhile, the cold war was drawing to a close. In 1990, the Berlin Wall had come down. So had the Iron Curtain eventually. Gorbachev had proposed to withdraw forces from Cam Ranh Bay. US options widened with Lee Kwan Yew's offer of a base in Singapore. Such hard winds of change eventually did manage to sweep the MBA aside and the bases agreement was terminated on stipulated time. However, the termination of MBA doesn't imply a complete 'break off' of relations between the US and the Philippines the dynamics of which would be discussed in the subsequent chapters.

A comprehensive study of any foreign policy relations would be incomplete without a probe into the socio-cultural relationship

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<sup>47</sup> Gregory, n.36, p.15.

between the two entities. After all, society is inextricably linked with economics as Marx rightly points out and economics constitutes an indispensable component of the foreign policy make up. According to Marxist historians, society exists in the concrete relations between social groups which seek to eke out their subsistence through interaction and mutuality. "It is a group of human beings sharing a self-sufficient system of action which is capable of existing longer than the lifespan of an individual the group being recruited at least in part by the sexual reproduction of the members (Aberle et al 1950).<sup>48</sup> The concept of society also includes culture which is defined by Edward Tyler as "that complex whole which includes knowledge, belief, art, morals, law, customs any other capabilities and habits acquired by Man as a member of society".<sup>49</sup> Such profound issues can't be neglected in any holistic study. As far the Philippine society, it was a typical agricultural society with a diverse ethno-linguistic groups dominated by a minority elite schooled in the finest of Spanish tradition. It was the Spanish socio-cultural ethos that permeated the elites (Illustrados) of the Philippine society. The end of the Philippine isolation which took place between the middle of the eighteenth and the beginning of the nineteenth centuries involved more than the physical opening of the country to foreign commerce, it also facilitated the entry of the ideas of the Enlightenment that had been sweeping Europe for some time. Since the French revolution had fostered ideas of freedom in Spain, it had its repercussions in her colonies. The pre-Spanish Baranganic society underwent a tremendous transformation not only in terms of socio-economic practices but also in the realm of culture, religion and ideas. Most importantly, it was Catholicism which contributed to a lasting influence on the Philippine society. On the eve of the Spanish invasion, the social organization was based on the family unit, where men and women were considered equal, women sometime,

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<sup>48</sup> International Encyclopedia of the Social Sciences, vol.13, p.578.

<sup>49</sup> International Encyclopedia of the Social Sciences, vol.3, p. 527.

assuming the higher responsibilities.<sup>50</sup> The social hierarchy was characterized by the village chief being the administrative leader of the community followed by so called free men who in turn were followed by 'dependents' or so called slaves as chronicled by Spanish writers.<sup>51</sup> However, this slavery was based on some kind of a debt bondage system which was quite different from the European slave order. It goes to the credit of the Spaniards who abolished the slavery system. It must be kept in mind that it was not a class society as believed in the traditional sense of the term. For, to develop a class society, it must be preceded by an immense economic growth creating sharp divisions within the population. The Baranganic society had one distinguishing feature : the absence of private property in land. The chiefs merely administered the land in the name of the barangay. The social order was an extension of the family with chiefs embodying the higher unity of the community. The subsistence economy also helped to dictate the authoritarian structure of the family in which control can be enforced at any level of seniority. Care of the young, needy and old was managed by extending family obligation to include all members of both paternal and maternal lines. In such a system of group survival, nepotism was inevitable, and strict chaperonage becomes natural because marriage joined families rather than mere individuals. It was not unusual for several generation of one family to live communally. This family cohesiveness was extended in two ways : through compadrazco, a network of ritual kinship of godparents, or sponsors and through bayanihan, the spirit of neighbourliness or solidarity.<sup>52</sup> These are elevated above personal ambitions. The chief exception to hierarchical structure in the family was the Philippine wife who was legally her husband's equal. In a typical fishing or farming barrio (community), children are considered as helping hands who learn that the stability of family and

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<sup>50</sup> Lightfoot, n.15, p.49.

<sup>51</sup> Constantino, n.1, p.31.

<sup>52</sup> The Encyclopedia, n.3, p.757.

community takes precedence over personal desires. A submissive, respectful and non-competitive child was considered an ideal child.

By the time the Americans arrived, the Philippine society was based on wealth. The upper social class comprising the wealthiest 1% to 5% are known as “Caciques”<sup>53</sup> or “*ilustrados*”. These are the feudalistic land owner upon whom the rest of the population had been largely dependent. A great social and economic gap existed between the small but powerful landowning class and the rest of the population of whom the majority were peasant tenants or *Taos*. These people worked the land and were forever tied to the Cacique by debts incurred in borrowing from him. They took part in none of the luxurious life habits of the Caciques, but found pleasures in gambling, cockfighting and community entertainment and festivals of importance to the family and participated in by the whole neighbourhood. In the cities, the social equivalent of the *Taos* were industrial and domestic labourers.

Such is the general nature of Filipino society, which was to a great extent modified by their interaction with the Americans. The Americans intoxicated with their high sounding notions of individualism and freedom did make a great dent into the socio-cultural stronghold of the Philippine society. However, before dealing with the Americans socio-cultural interaction with the Filipinos, it is important that we first define the Filipino identity. The term Filipino that now identifies the totality of the native inhabitants of this nation began as a class concept. It didn't apply to all the natives. Rather, the term Filipino grew as a concept and was applied to a greater number of individuals first according to race, later according to property qualifications and still later, to social prestige. Only very much later did it become a term of national identification breaking through all racial, economic and social barriers. The Philippine society during the latter part of the Spanish period saw the emergence of an elite group - the *ilustrados*. As the choice of the term itself implies,

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<sup>53</sup> Berreman, Gerald D., *The Philippines :A Survey of Current, Social, Economic and Political Conditions*, p.9.

historians have emphasized the education of: this elite rather than its property base. While it is true that some ilustrados weren't as rich as others, it must be remembered that during this period, education was almost exclusively the prerogative of wealth. The rich were wise and the wise were rich. As a matter of fact, the term Filipino started as an elitist concept with racial connotations. Filipino was used to designate the creoles or the Spaniards, born in the Philippines, in contrast to the Peninsulares (those who were born in the Iberian peninsula). The natives were called indios. Some of the other sections of the elite included the Principalia (wealthy landowners who were descendents of the early datu), the Spanish Mestizos (wealth seeking Spaniards, who married into native aristocracy) and the wealthy indios.

Getting back to the actual socio-cultural intercourse between the two societies, it was a wide ranging and an overwhelming interaction. One of the major areas of thrust was felt of course in education. The chief instrument of which was the public school system. It was an instrument to sanctify the imposition of American values, which would regenerate what was felt by most of the early officials to be a corrupt or degenerate society. In fact, it was widely proclaimed that the principal objective of American education was to 'build character' without which American institutions couldn't function successfully. Perhaps the most important American cultural innovation was the introduction of English. It was expected to provide a medium of communication which would not only be national in the horizontal sense-being intelligible throughout the length and breadth of the country, but from top to bottom, thus including most of the nation's citizens. The University of Philippine was established so as to provide for the system of public education, as well as to promote English as the primary medium of communication, but its central purpose was to create the human resources and psychological underpinning, for a new nation – for the time being loyal to the Americans, but eventually to become wholly independent. The wholesale restructuring of society and its values was to be accomplished with a teaching force of 174 in 1902, then averaging some 800 until 1910, 450 to 1920, 350 to 1930 and 100 to 1940. Schools would number 4,531 in 1910, 943,502 in



1920 and 1204,485 in 1934.<sup>54</sup> Hence, there is a steady growth of education underlining the efforts of the Americans in furthering the cause of education in the Philippines. The major class beneficiaries of the imposition of American institutions were the urban labourers, whose wages and working conditions improved and the lower middle classes to whom careers were opened through the public school system and the civil service. It were however the women whose image and social role was most radically changed which was evident with the establishment of the Philippine Women's University founded in 1910 by the Benitez-Tirona families.<sup>55</sup>

The government didn't monopolise the promotion of American cultural institutions. In the field of education, religious groups played a significant part. Here, the Protestant missionaries played a major role, as they of all agents of change, got closest to the people. The propagation of the Protestant message was also promoted by those elements in Filipino society who were disaffected or deviant, and who had been politically persecuted. This included the Masons and these who had been active in seeking Filipino independence from Spain. The Vatican's reaction to the growing protestant influence manifested with the strengthening of the already established Ateneo University. Despite their competitiveness with the heavily protestant influenced public schools, the teachings of the Ateneo Jesuits generally reinforced the American values of democracy and industry being taught in the public schools. The Ateneo's Irish-American priests shared the American government's belief in the dignity of labour, the importance of saving, the virtue of industry, the social utility of entrepreneurship, the importance of a more equitable division of income and the creation of a strong middle class.

Another successful American endeavour aimed at modifying Filipino values was the creation of a special kind of missionary – the Young Men's Christian Association or the YMCA. It first made its appearance in Manila during the very early period of the American occupation, in order to minister to

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<sup>54</sup> Gleck Jr., Lewis E, *American Institutions in the Philippines (1898-1941)*, p. 34.

<sup>55</sup> Malcolm, George, *A First Malayan Republic: The Story of the Philippines*, p.403.

the needs of the many thousands of American soldiers. The YMCA trained or influenced sections played a significant role in the society. Its leaders included Supreme Court Justice (and later war Martyr) Jose Abad Santos, Secretary of Finance Miguel Unson, editor and educator Conrade Benitez and Judge Manuel Camus, who declined an appointment as Manila Mayor to remain with the YMCA.<sup>56</sup> Besides, the earliest American organization in philanthropy imported directly from the US was the Salvation Army, which concentrated on though it didn't limit ministrations to the American troops. Then, the Red Cross was another organization that reinforced the values of communitarian leadership and cooperation. The Rotary club too added a new dimension to the concept of organized public service in the Philippines.

The Americans were also interested in the cultural minorities of the Philippines. President McKinley had generally admonished the government to take carefully into account the customs and practices, which they encountered in the Philippines. In the case of many of non-Christian tribes, these customs differed greatly from these of the majority of the inhabitants. Secondly, there was the lively protestant missionary interest in the prospects of converts for their religion among the tribes. A third source of interest was the sheer fascination of personal encounter combined with responsibilities for primitive peoples with exotic customs and behaviour. Finally, there was a particularly motivated interest based on the failure of the Spanish administration and their Filipino associates to incorporate these tribal elements into Philippine society.

The press can be another manifestation of socio-cultural institutions notwithstanding its economic and political undercurrents; it could play a role in the cultural sphere. It was manifest in the establishment of the English and Journalism Department of the University of the Philippines. Moreover, the establishment of Bureau of Printing<sup>57</sup> was an outstanding example of the US government's intention to Filipinize the civil service without sacrificing the merit system. Since printing is so closely related to reading and public education, the

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<sup>56</sup> Gleeck Jr., n.54, p.71.

<sup>57</sup> Ibid. , p. 142.

quick and impressive transformation of government printing from a near-medieval occupation under the Spanish to a modern craft, manned by a progressively corps of employees, concretely demonstrated how by offering a career to the industrious and ambitious, a backward, ignorant and indolent working class could be transformed into citizens who would be entrusted with the responsibilities of self government. Another accomplishment of the American colonial regime, which evoked universal approval by all, was the radical improvement of public health. It was marked by the transformation of Manila from a medieval city of pestilence and dirt.

While American culture was originally promoted by the government through the schools, by the end of the first world war, it was American technologies primarily the automobile and the media industry – first the newspaper and the films – which it seemed had almost liquidated Spanish-Malaya culture, completing the conquest which the schools had begun. The Graphic article of May 1930, which proclaimed: “Who wants Maria claras anyway, they Belong to the Past,” was not wide off the mark. What had begun as an effort to “build character” in the schools had been transformed into an all-out Americanisation programme by the media.

From the beginning, the Americans zealously fostered their own notions of the proper nationalistic content of public school instruction. This included the promotion of Filipino patriotism as an important element of citizenship and nation building. A large number of indigenous material had been incorporated along with stress on American values, experience and tradition into teaching and textbooks. For instance, Mary Polley a well known Thomasite, teamed up with Josefa Jara Marstinez in 1932 to prepare a textbook on Current English which quoted American nursery rhymes, and many of the games described are these of American children, but all illustrations are of Filipino scenes except for number of famous paintings from all over the world.<sup>58</sup> The materials developed for the elementary schools of the Philippines, the so called

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<sup>58</sup> Gleeck Jr., n. 56, p. 111.

PCLS (Philippine Centre for Language Study)<sup>59</sup> guides were heavy on pattern practice as a technique attempted to implement the aural-oral approach and indirectly taught American content through their dialogues and reading experiences. Thus, there was emphasis on mimicking the way Americans interact in social situation (introduction, farewells and casual meetings). In some ways, the most pervasive permanent of all the changes which the Americans introduced into Filipino society were these affecting manners and deportment. The usual traits like breeziness and informality, approachability and visible warmth were closer to and more compatible with the basic Malaya character than acquired Spanish patterns. Moreover, it was the *illustrados* or the elite who had totally accepted the Spanish patterns.... the ways of the *gente baja* undoubtedly remained closer to those of pre-Spanish times. When the Americans provided public school education for all, it opened the doors for progress upward. The surge of the lower classes then furnished massive support to the new ways. Growing American sophistication, if continuing self-confidence was manifest in 1910 when a course on "Good manners and Right conduct" was incorporated into the curriculum of the public school, as a prescribed subject. At a more superficial level of living, American influence met little resistance. Dress was immediately affected. Women living a more active and assertive life could no longer be taken solely as objects of decoration.

With the establishment of English language by the 1930s as the language of the educated, the intelligentsia and the elite, the theatre and other art forms too underwent a change. The Vaudeville inspired by the Americans was a variety show, which usually included a comedy skit – the "drama portion". Besides, plays by English literary giants like Shakespeare and Shaw began to be staged. In terms of literature, the Islands' contact with the US provided a constant incentive for the Americans to write about the Philippines and the Filipinos. Of these numerous authors, two demonstrated outstanding scholarship. James Alfred Le Roy was a studious man and a natural linguist. Even in incomplete form, Le

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<sup>59</sup> Andrew Gonzalez, "Content in English Language Materials in the Philippines: A Case Study of Cultural and Linguistic Emancipation", *Philippines Studies*, vol. 24, Fourth Quarter, 1976, p. 449.

Roy's "The Americans In The Philippines" constitutes a clear and honest account of conditions prevalent in the islands. Dr. Joseph Ralston Hayden's "The Philippines, A Study in National Development" is extensively documented.<sup>60</sup> In effect, Hayden had written a convincing brief in support of his country's case in applying sound principles in the government of the Philippines. Besides, life in the US brought about recognition to a number of Filipino writers. Jose Garcia Villa won fame for his short stories and poems. Edward J.O'Brien sponsored the statement that Villa's Footnote to youth; Tales of the Philippines; And Others place him "among the half dozen short story writers in America who count". Carlos Bulosan's personal narrative "America Is In the Heart" is another masterpiece.<sup>61</sup> As far music, the Constabulary Band, organized in 1904 and trained by Colonel Walter H. Loving, an American Negro with exceptional talent is world famous.<sup>62</sup> An ever-increasing group of musicians educated in Europe and the US form an important factor in the progress of music in the Philippines. Conspicuous among them were Jovita Fuentes, a soprano who in the role of Madame Butterfly and other operatic parts had a remarkable career abroad, and Luisa Tapales, who triumphed in the opera of Paris. After the war, Enya Gonzalez and Conchita Gaston won musical fame in the US.<sup>63</sup> Talking about Sports and games, a large number of them like basketball, baseball, tennis, soccer, boxing, volleyball, golf, track and swimming etc have acquired a wide following in the Philippines.<sup>64</sup>

The women form an indispensable component of any serious socio-economic investigation. The advent of the Americans while had a sizable impact on the status of the Filipinas, it was however limited in reach. The privilege of public school education and the access to government offices was yet restricted to a miniscule. The majority of the women were still confined to the household or domestic drudgery where their say in decision making was almost negligible. A series of research still establish that the age-old conservatism in

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<sup>60</sup> Malcolm, n. 55, p. 430.

<sup>61</sup> Ibid. , p. 427.

<sup>62</sup> Ibid. , p. 437.

<sup>63</sup> Ibid.

<sup>64</sup> Berreman, n. 53, p.20.

terms of gender roles and importance hasn't disappeared. As far the recent years, the world of the urban Filipina is still limited in spite of evidences that she can choose her spouse with relative independence from parental influence, pursue the role of working mother and enjoy the syncretic mode of decision making with her husband. The woman's social network is smaller than her husband's and as a working woman only certain types of culturally appropriate jobs are available to her. The dominant idea of marriage, which is shared by the majority, is in the traditional family and children oriented line. With regard to the legal aspects, the wife doesn't figure as a very liberated figure, or even an equal vis-à-vis her husband.<sup>65</sup> Besides the fact that there are no legal provisions for divorce available (except in cases such as adultery whose church plays a role), serious discriminating measures are written into the Civil Law Code, which perpetuates the imbalance and injustice to women. One of the most egregious features of the plight of women is the system of labour migration on gender lines. What is more condemnable is the fact that the state plays a crucial role in such initiatives. The Philippines is the largest exporter of Asian labour and exhibits a strong sexual division of labour flows. Annually approximately 500,000 migrant workers are deployed internationally about 40% of whom are women engaged primarily in service sector occupations.<sup>66</sup> These flows comprise part of what is increasingly referred to as the 'feminisation of labour Migration'. Philippines based government and private institutions employ specific representations of men and women in an attempt to increase the attractiveness of Philippine workers by ascribing 'valuable' or 'desirable' traits on to their workers' pool. Research has shown that within the Philippines, Filipinas are routinely portrayed as either home workers, mistresses or mothers by the media. Internationally, these images draw on established, sexually defined representations of Filipines that were used as a play to facilitate tourist arrivals during the sex tours of the 1970s and

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<sup>65</sup> Joseph A Vancio, "The Realities of Marriage of Urban Filipino Women", *Philippine Studies*, vol. 28/First Quarter 1980, p. 19.

<sup>66</sup> James A Tyner, "The Gendering of Philippine International Labour Migration", *Professional Geographer*, vol. 48, no.4, Nov. 1996, p. 406.

1980s(Tyner, 1996).<sup>67</sup> Promotional materials draw attention to perceived (and actual) sexual divisions of labour. For instance a brochure contained a picture of six Philippine labour migrants: three men are dressed as an engineer, a construction worker, and a ship-based officer, while the three women are clothed as a nurse, a domestic worker, and an entertainer (wearing a mini skirt and holding a guitar). The image of the sexually subservient Filipinos is rooted in a long history of colonialism, sexism and poverty in the Philippines, where “sex tourism” has been an unwritten development strategy for the debt-ridden Philippine government. During the over 40 years of American occupation, a thriving sex industry sprang up around US military bases in the Philippines, offering poverty stricken women the chance to earn meagre wages as ‘entertainers’, ‘comfort women’ and ‘hospitality girls’. Enloe (1989)<sup>68</sup> argues that the Marcos government used the reputed beauty and generosity of Filipino women as ‘natural resources’ to compete in the international tourism market. With the overthrow of the Marcos regime, the Aquino government made an effort to clean up this ‘service economy’ as part of a larger campaign to restore national dignity, yet such efforts failed to eradicate it because they ignored the ways in which that industry was embedded in a globalizing economy in which Filipino women had few viable economic alternatives, while wealthy western and increasingly Asian businessmen had the economic power to purchase and trade women as commodities.

However, the story about women is not as bad as it appears to be. No doubt, the American bases may have played a role in lowering down the yardsticks for the measurement of morality in the Philippine society. But therein lies the catch. After all, what is right or wrong can be subject to different interpretations. Indeed, it can’t be ignored that the introduction of English language by the Americans paved the way for the Philippines not only in developing socio-intellectually, but also in integrating with the rest of the world.

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<sup>67</sup> James, n. 66, p.411.

<sup>68</sup> Chang, Kimberley A. and Groves, Julian McAllister, “Neither ‘Saints’ Nor ‘Prostitutes’: Sexual Discourse In the Filipino Domestic Workers in Hong Kong”, *Women’s Studies International Forum*, 23(1), 2000(Jan-Feb), p.76.

Al that brouhaha about the 'service economy' of the Filipinos can't take away the fact that in 1992, the services of Filipino women abroad earned the Philippine government approximately 12% of its gross national product (Migrants Manna 1991).<sup>69</sup> Moreover, a strong family based social apparatus still exists and close contact with kin means that marital tensions may be attenuated by family support. The fact that parents and relatives are in a strong position to put pressure on couples to stay together is important given that the erosion of extended family ties elsewhere is often heralded as resulting in the 'breakdown of traditional forms of authority over marriage, leading to increases in divorce, and informal unions and abandonment and destitution of women and children. Moreover, the 'child centeredness' of Filipino culture implying love and duty towards children are upper most in Filipino family life, which plays a significant role in keeping couples together. As George Malcolm writes that the Filipino women is not only the mistress of her household but in certain respects, or in the display of practical business sense, the Filipino women often ranks ahead of her man. The position of the Filipino women in the community is akin to that in the West, rather than the East. Unabashed and confident, Filipino women have entered the political arena to contest with men. They were the first in Asia to win civil law emancipation and the right of suffrage. Even among the Moros whose religious counterparts the world over treat women more or less as chattel, women are remarkably unrestricted. It is also noticeable in the bilateral inheritance system which gives no precedence to men over women. The women have a degree of economic independence as she gets her share of inheritance and the result of her own labour. Most schools are co-educational and women have entered actively into various civic activities. The National Federation of Women's Club is active as ever before. It was in 1937 that they first voted.<sup>70</sup> Marriage in the Philippines is a typical western institution that characterizes the Filipino society. Only among the Mores, is polygamy tolerated and even there, it is not the rule. It is the Catholic customs, which predominate in ceremonies affecting the newborn, as well as

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<sup>69</sup> Chang, n.68, p. 76.

<sup>70</sup> Berreman, n.53, p. 14.



marriage and funeral ceremonies. So, the Filipino homes are well regulated and generally happy and peaceful.

Despite the above, Filipinos and foreigners alike view the Philippines as a violent society beset by murder, robbery and theft. The impression is hard to escape-at least in Manila where armed guards, lurid newspaper headlines and 'check your firearms' signs are all pervasive. Violent crimes seem to be related to lurching of the economy, politics and to some considerations of ethnic realm.<sup>71</sup> However, these are usual crimes, which are present in almost every society and not necessarily are as a consequence of the Filipinos' association with the Americans.

There is a vital human dimension to the Philippines-US ties. An estimated 3 million Filipinos and Americans of Philippine ancestry live in US while some 100,000 American citizens live in the Philippines. These personal family and community connections between Filipinos and Americans have created a multicultural trans Pacific bridge between the two countries. Based on an Oct. 2001 report from the Commission of Filipinos Overseas (CFO) the US was the major destination of Filipino immigrants. The stock estimates of Filipino immigrants show that 18 million or 71% went to the US with Canada being a far second with 2.77 million or 11% and Australia, third with 2.02 million or 8%.<sup>72</sup> However in terms of Overseas Filipino Workers (OFWs), the US is only the eighth largest employer, accounting for 59,767 OFWs of the total. The largest employer of OFWs incidentally is Saudi Arabia (27.73%) with Hong Kong being a far second (4.98%). In the US, Filipinos account for 6% of the total immigrant population second only to the Mexicans.<sup>73</sup> A majority of the Philippine immigrants entered the US between 1980s, and 1990s. It shows that the median age of Filipinos in the US in 1990 was 31 or younger than the national median of 33. Therefore, it can be safely inferred that the substantial number of Filipinos in the US are young with a relatively high educational attainment. Besides, a

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<sup>71</sup> Averch, Harvey A and Koehler, John E and Denton, Frank H, "*The Matrix of Policy in the Philippines*", p. 115.

<sup>72</sup> <http://www.gov.ph/search/search.asp>

<sup>73</sup> <http://www.gov.ph/search/search.asp>

staggering 85% of the US' total foreign nurses are Filipinos. Most recently, in Oct. 2004, there have been moves afoot to make the Philippines an NCLEX<sup>74</sup> (National Council Licensure Examination) test site. Moreover, thousands of Filipinos have studied in American educational institutions of higher and specialized learning, the most famous example being the current President Ms. Gloria Arroyo being a contemporary of the former US President Bill Clinton at the George Town University. In recent times, the appropriation and modification of English into a Philippine variant is not out of any loyalty to its former colonizers but as a matter of convenience, to have a language of wide communication, not only for contact with the West but even for his contacts with his ASEAN brothers and to have the language of science and technology which he vitally needs for the development of his country. However, English is rarely used in homes (except in affluent homes where an attempt is made to teach English to children as early as possible). Neither is it used in familial social gatherings with relatives which like wise belong to the domain of the vernacular. The language of entertainment thanks to the development of the local music industry is now bilingual so that even the western-educated Filipino sees not only movies in English but in Filipino. On TV, in addition to movies, the educated Filipino still watches TV serials in English, while live shows in Filipino command a following among the less westernised members of household. Radio listening among the less affluent is mainly in Pilipino, while the more affluent confine radio listening to music, presumably Western music.<sup>75</sup>

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<sup>74</sup> [http://www.gov.ph/cat\\_education/default.asp](http://www.gov.ph/cat_education/default.asp)

<sup>75</sup> Andrew, n. 59, p.449.

## LANGUAGE DOMAINS<sup>76</sup>

Home									
	School		Office		Theatre	Commercial Establishment			Foreign Settings
TV Entertainment	Class	Class	Board Room	Management Office		Store	Restaurants		
							Tourist	Non-Tourist	
Imported Serials	Science Mathematics Technology Theoretical Social Sciences Humanities		Meetings Policy Board/ Policy Level Strategy	Reports Policy Enumeration Announcements	English Movies		Social Interactions		Social / Professiona Interaction
Live shows and Local Movies	Social Studies	Non-Academic Social Interaction			Tagalog Movies	Social Interaction		Social Interaction	

### Legend: Pilipino English

Hence, taking a final stock of the socio –cultural ties between the two countries, it is imperative to first distinguish between society and culture- while the Americans seemed to have a great impact on the Filipino society through the introduction of English language and the public school system, they could not have quite the same effect on the Filipino culture. For, the Spanish cultural ethos seem to have go so deeply embedded into the Filipinos cultural conscience that there seems to be no room for the Americans. Be it art or literature, movie or music, theatre or architecture, the stamp of Spanish culture is all pervading in the Filipinos cultural realm. However, this can't gloss over the fact that the Americans did leave an imprint and the socio-political consciousness of the country. The core value, which the Americans sought to introduce into the Philippines' culture, was democracy, which directly conflicted with the ancient Malaya culture and the Spanish ethos. In fact, neither greatly valued the

<sup>76</sup> Andrew, n. 59, p. 451.

individual, which is perhaps the key element in the democratic concept. To the Americans, political democracy was virtually synonymous with voting in elections. Thus, within a matter of weeks, the Americans held elections in various municipalities and despite a restricted suffrage and participation, abided by the results. Economically, the democratic thirst was clearly evident during the first few years, an eloquently witnessed by immediate changes in the taxation laws, which shifted the tax burden from necessities to luxuries and by the imposition of a property tax. Besides democracy, some of the other values disseminated by the Americans included Honesty, Industry, Thrift, Sportsmanship and Patriotism. The Americans soon found that a culture doesn't lightly abandon the values, which give meaning to its life. In fact, even in terms of education, the natives resisted which was expressed in the founding of school such as the Liceo de Manila and the Escuela de Derecho. There was vigorous resistance to many American ideas, particularly those which seemed to threaten what the Philippines believed to be their national identity. This identity, which some of the ilustrados referred to as the "Filipino soul" had for its content the "inherent strong virtues of our race" (in Kalaw's definition). There was also resistance to the introduction of public dance halls, called cabarets with companionable dancing girls as employees. This was a mirror image of the 'querida' system prevalent in the Filipino society. The manifesto of the student demonstration in 1970 charged that the precarious conditions of the Filipino society was due to the 'vestige of alien influences in the social, political and economic structures. The manifesto further asserted that as a part of the process the "cult of personality" was nurtured and the 'hold of the elite on the economic base' was strengthened. In fact, it was this sense of cultural degradation caused by the military bases, which ultimately led to the demand for their removal.

Nevertheless, the Philippines is the only Indonesian or Far Eastern area with a heritage of western civilization and it is for this reason that it has become known as the West's show window in the East.

## CHAPTER II

### SECURITY TIES

The notion of security assumes such a paramount significance in the schema of international relations that any study of bilateral ties between two powers at any point of time in history would be virtually incomplete without having a go at it closely. After all, it is security which underpins the very existence or self-preservation of a nation –state. What is more important is the fact that in order to make oneself hundred percent ‘insecurity proof’, a country can go to any extent to forge a close relationship with another country. A smaller or a weaker state would be ready to grant apparently more concessions in order to bolster its security relationship with a stronger or a bigger country. An economically backward country would go all the way in staying just on the right side of an economically dominant country. Why? Well, the reason is obvious. Like individuals, nation-states too look for partners which can complement them. They search for relationship with states that can come to their aid when in need and can play a significant role in their day-to-day functioning. It is precisely this sense of dependency that forms the underlying basis for the security ties between any two nation-states. However, this sense of dependency does not imply the abdication of sovereignty by a smaller state in any way. It doesn't mean that an economically superior, militarily stronger state can ride roughshod over the sovereign sensitivities of a smaller or a weaker state. For, the Charter of UN confers equal status on each and every country, big or small, strong or weak. The security ties between two countries is any way not a one-way traffic. The bigger and the stronger state too have their stakes involved and it is their own vested interests that keep them engaged in a bilateral relationship. Such is the case with the Philippines and the US and the ties between them survived the entire twentieth century which spanned the two world wars, the Cold War and seems to be

going great in the post-Cold war world. However, it must be tempered with caution that the ties between the Philippines is not only security centric, instead it is an all inclusive, all encompassing phenomenon.

Before delving into the finer details the security ties between the two players it is significant that the term Security must be defined at the outset. Security, as the term literally means is any of various means or devices designed to guard persons and property against a broad range of hazards, including crime, fire, accidents, espionage, sabotage, subversion and attack.<sup>1</sup> However, it is not merely physical security, it could be socio-economic, political, intellectual, moral, emotional, psychological and last but not the least, military. It could also not only include internal security but also external security. Besides, security is not only in terms of bilateralism, but spans even multilateralism, though the topic under consideration deals primarily within the context of bilateralism. However, a multilateral perspective on security even vis-à-vis the bilateral dynamics of the Philippines – US relationship can not be missed for the simple reason that each in its own way is somewhat linked to extraneous factors, or to be more precise, extraneous powers which has a direct or indirect impact on the overall Philippines –US connection. Therefore, a multilateral approach can not be rejected altogether. For instance, the Philippines is geographically and diplomatically linked with the other ASEAN nations, has its love-hate relationship with the People's Republic of China and is connected with other countries in various different ways. In the same way, US too has its own idea on association with the ASEAN nations, has its blow-hot blow-cold relationship with the yellow peril i.e. China and has for long sustained a highly strategic security ties with the Asian economic powerhouse Japan. So, these multiple intra and inter connections do play a significant role in the relationship between the super power and the Republic of Philippines. Besides, a holistic work on security would certainly include the late twentieth century phenomenon-global terrorism. No work on security

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<sup>1</sup> The Encyclopedia Britannica, vol. 10, p. 595.

can be complete without an allusion to terrorism. While the much used term usually has an external dimension, for the Philippines it is not entirely a new experience, only the appellation changes. For long since the dawn of Philippines history, the country has witnessed domestic insurgency in the form of the communist movement and the separatist Moro liberation movements in the islands of Mindanao and Sulu. On the American side, since September 11, 2001, they have discovered (or devised?) a new enemy who is out to destroy the peace and harmony of the American state and people. The world wide reach of the terrorists only makes the Philippines a critical extension of the American geo-strategy in the Southeast Asian theatre.

As for the theoretical perspective to the security ties, there are different interpretations as to what security really is and to what extent it is linked with foreign policy goals of any country. Wolfers says, "Security in an objective sense, measures the absence of threats to acquired values, in a subjective sense, the absence of fear that such values will be attacked."<sup>2</sup> The legal traditional concept of threat to national security involves the protection of national sovereignty against external military aggression. National sovereignty tends to be defined as the integrity of national borders and national interests at home and possibly abroad. The enemy is thus, a traditional nation-state with recognizable military formations, violating national borders and threatening the major institutions and perhaps natural resources and external interests of the state. In these terms, the enemy includes the specific military formations involved and the industrial-technical ability of the aggressor state to support the military attack materially.<sup>3</sup> A related concept of threat to national security involves "strategic access" and "strategic denial".<sup>4</sup> That is maintaining a traditional nation-states' access to specified assets or interests. This starkly brings back memories of the bases agreements and the war of

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<sup>2</sup> Roger Carey and Trevor C. Salmon eds. *International Security in the Modern World*, p. 13.

<sup>3</sup> Max G. Manwaring. "Security in the Americas: Neither Evolution nor Devolution – Impasse", *Small wars and insurgencies*, Vol. 15, No. 1, spring 2004, p. 15.

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

attrition in the South China Sea. In any case, the traditional level of analysis tends to define threats to national security in relatively narrow nation –state and military terms. In the traditional debate between Realists and Rationalists, the realists are of the view that power is the critical ingredient of international life. It is power which determines the “allocation of values for a society”, as David Easton says.<sup>5</sup> It is an eerie reminder of the way the American institutions, values and ideals are shaping the mindset of the world at large. It can’t be eliminated and is the primary motivating factor for the states and the pursuit of power is the primary obligation of states. Realists suggest that in a Hobbesian world, survival lies at the core of all action. Although the peace of Westphalia (1648) demarcated lines of sovereignty among states and gave form to our current international system, it guaranteed neither systemic stability nor state survival. Thus, states have been forced to engage in what some scholars have characterized as “an inherently open –ended, competitive and risk-laden power struggle”.<sup>6</sup> Realism focuses on the nation-state as a barrier between the international system and the domestic sphere of politics. Domestic politics are seen as separated from the international system, which is characterized as anarchy or the absence of order. Realists focus on the nation-state (especially its military and economic capabilities) and the desire of states to advance national interests and gains (both absolute and relative). In this view, states are fundamentally concerned with survival and seek to maximize power towards this end. Institutions such as international law and formal international organizations might be useful as tools for advancing national interests and exerting power, but they are not to be relied upon for security guarantees (Mearsheimer, 1995).<sup>7</sup>

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<sup>5</sup> Roger n.2, p. 2

<sup>6</sup> Christopher Rudolph, “Globalisation and Security: Migrations and Evolving conceptions of Security in Statecraft and Scholarship”, *Security Studies*, Vol. 13, No.1, Autumn 2003, p. 4.

<sup>7</sup> Sean Kay, “Globalisation, Power and Security”, *Security Dialogue*, Vol. 35, 2004, p. 11.



For instance, Philippines is a member of the ASEAN and ARF but this doesn't seem to have helped in allaying her apprehension about her spat with neighbours over maritime and territorial boundaries. On the other hand, the rationalists/utopians hold that man is perfectible or at least capable of improvement, perhaps with the aid of some social engineering. With rationality, man can achieve anything, including ways of transforming human behaviours, establishing norms and rules of conduct acceptable and apparent to all. It was felt that on this basis an harmonious international political order can be achieved.

In the 1990s, there has been a renewal of these themes, although in a different form. This can be seen in the recent emergence of the so called 'new realism' or as William TR fox puts it, the distinction between 'doctrinal' and 'empirical' realists. The former asserts the basically rapacious character of contending great powers in a Hobbesian world while an empirical realist looking to see how states actually behave, 'discovers that most statesmen most of the time seek security rather than hegemony'.<sup>8</sup> While this may be true for a smaller player like the Philippines, but may not stand the test of truth for a giant superpower like the USA which seems hell bent on a pursuing its unilateralist agenda. The more realistic contemporary non-traditional security dialogue tends to focus on enhancing real and popular perception of relative stability and well being. Stability and well being tend to refer to the use of a variety of means-only one of which is the military- is the pursuit of political and economic objectives. In turn, enemies can be traditional nation-states, non-traditional external non-state actors or proxies, or violent non-traditional intra-state actor that might threaten the achievement of these objective, i.e., the vitality of the state. As a result, the enemy is not necessarily a recognizable military entity or an industrial-technical capability to make war. At the basic level, the enemy now becomes the original political actor that plans and implements the kind of violence that threatens national well

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<sup>8</sup> Roger, n.2, p. 6

being and exploits the root causes of instability. According to US General (Ret.) Michael PC Carns, “the challenges to stability and well being are gravely complicated by threats and menaces emanating from rogue states, sub-state and transnational terrorists, insurgents, illegal drug-traffickers, organized criminals, warlords, military fundamentalists, ethnic cleanser and 1000 other ‘snakes’ with a cause and the will to conduct asymmetrical warfare to achieve their own political objectives.”<sup>9</sup> Many of these kind of attacks actually challenge the traditional definition of a threat to national security. As one example, terrorism in much of the world and in most of western hemisphere is defined as a serious criminal phenomenon, but a crime nevertheless. Since the events of September 11, 2001, the US and some of its allies have begun to emphasise terrorism as a serious threat to national security and sovereignty. In those terms, it is helpful to examine the linkage among security, stability, development, democracy and sovereignty.

In the contemporary world order, globalisation seems to be the all pervading watchword casting a shadow on the way relations between two national entities are conducted. Though globalisation has always, been an underlying process shaping the way mankind has progressed so far, it has undergone a great change in terms of degree and sweep. Never before, humanity had scaled such a peak of technological advancement. If globalisation is measured as the acceleration of transboundary communication, international networks, the diffusion of power, reciprocity and mutual dependence and the expansion of universal norms, and principles, a different conclusion about contemporary world politics emerges. These trends combine with the proliferation of non-state actors-such as formal international organizations, non-government organizations and multi national corporations to alter the playing field of international relations Neo liberal institutionalists recognize the same vulnerability and sensitivity of interdependence that realists do. However, rather than seeing

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<sup>9</sup> Max G., n.3, p. 58.

globalisation as breeding conflict, neo-liberal scholars see states as having an interests in cooperation (Keohane, 1989).<sup>10</sup> This is probably why the US has come back knocking on the diplomatic doors of the Philippines despite having been shown the door before in 1991 with the termination of the bases agreement. From another point, the technological dynamics of globalisation make asymmetrical power especially dangerous when juxtaposed against the proliferation of weapons of mass destruction. As illicit transnational networks of weapons technology transfers grow, the risk of such proliferation becomes higher and more difficult to prevent. The possibility of the domestic insurgent groups in the Philippines like the MNLF, the Abu Sayyaf and the NPA makes the Philippine government all the more insecure spurring them into a tighter embrace with the Americans, not to talk of the Americans' own threat perceptions. Besides, globalisation provides for multiple channels of communication other than those previously dominated by the state, the nature of power has become diffused to the extent that one person can change global politics. For instance, Osama Bin Laden could reshape the agenda of world politics through his attacks on New York and Washington in 2001. Besides, a simple logic underlines the fact that greater the integration of the nation state, greater would be the emphasis on security vis-à-vis one another and other non-state actors.

Coming back to the actual details of the security ties between the two countries, a century old historical relationship precedes the current status. In the aftermath of the Japanese excesses during the course of the second world war, the Philippine government was more than ready to forge a closer security relationship with another country. What better than to do it with the United States of America which already had considerable degree of familiarity with the Filipinos. The US passed the Philippines Rehabilitation Act in order to suitably help the Filipinos recover from the devastating war and the Japanese monstrosity. In return, the Philippines trade Act was passed

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<sup>10</sup> Sean, n. 7, p. 12.

by the Senate which would compensate the Americans for their assistance to the Philippines. However, this did not address the Filipinos' security concerns which were initially tackled with the Military Bases Agreement (MBA) on 14<sup>th</sup> March 1947 under which the Philippines granted rent free use of 23 base areas for 99 years, the rest important ones being Subic Naval Base and the Clark Air Base.<sup>11</sup> Yet, the agreement did not directly resolve the Filipinos' security anxieties, notwithstanding the psychological security from the presence of the American troops. The Military Assistance Agreement was signed a week after the MBA which formalized the post war transfer of US war surplus stock to the Philippines. So, from the very beginning, US military assistance was tied to the basing arrangements. However, it was on 30<sup>th</sup> August 1951 when the security sensitivities of the Philippines were most objectively addressed with the signing of the Mutual Defence Treaty (MDT).<sup>12</sup> Under this, the US was to come to the aid of the Philippines in case of a military aggression against it. But, it must be remembered that the treaty did not entail the same clause of 'automaticity' as existed in the arrangement with the NATO countries. The Philippines' moving further under the military umbrella of the Americans is evident from their joining the South East Asia Treaty Organization (SEATO) in 1954 (which was incidentally also called the Manila Pact). So, the MBA and the MDT formed a part of the larger security network being erected by the American administration in the South east Asian region in the backdrop of the Cold War.

For the United States, the bases served as principal forward bases for the United States Pacific command (PACOM). Created on 1<sup>st</sup> January, 1941, PACOM was geographically the largest of the American unified military command. It was responsible for almost all military operations in an area covering roughly 50% of the earth's surface stretching from the west coast of the United States to

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<sup>11</sup> Rommel C. Banlaoi, "the role of Philippine – American Relations in the Global campaign Against terrorism: Implications for Regional Security", *contemporary Southeast Asia*, Vol. 24, No.2, August 2002, p. 298.

<sup>12</sup> Ibid.

the east coast of Africa and across the Pacific, from the North to the South Pole.<sup>13</sup> The Philippine bases supported the US military posture in three operational regions – the Indian Ocean, South East Asia and to a lesser extent, North East Asia. In addition, the facilities were geared to support operations in East Africa and are regarded as the ‘backdoor’ to the Middle East. Their importance had further been enhanced by the Soviet access to naval and air facilities at Cam Ranh Bay in Vietnam which were located some 700 miles away. In the South East Asian context, the bases had become more important for two reasons. Firstly, in the wake of the Guam Doctrine, the military presence in the Philippines became the single most important illustration of US interest in regional security. Without the bases, the post-Vietnam authority of the US would have been further eroded and secondly, the bases had come to represent the countervailing American posture to the growing presence of the Soviet Union in Vietnam. The bases were not only substantial elements in the regional superpower balance, but also an illustration of US’ regional pre-eminence. The bases were also welcomed by American regional allies in another respect: so long as they remained in the Philippines, regional allies such as Thailand and Australia did not need to face the complex strategic and domestic complications that would arise from American requests to provide additional land support facilities. During World War II, the US seized the islands of Micronesia from Japan and so came to control nearly all the islands of the Pacific north of the Equator and between the west coast of the United States and the Philippines. US military facilities in Micronesia together with its major installations on the US west coast, Hawaii, Japan and the Philippines, made up an interlocking basing system in the Pacific. This system provided US forces with an unrivalled ability to project military power through out the region. As elements of the Pacific basing system, the air and naval facilities in the Philippines could be better appreciated in the wider context of the

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<sup>13</sup> F.A. Mediansky, “the US Military Facilities in the Philippines”, Revised version of paper presented at the Asian Studies Association of Australia (ASAA) 6<sup>th</sup> Biennial conference, Sydney, May 1986, pp.308-319.

missions of PACOM – some of which can be mentioned as the protection of US territories in the Pacific, the maintenance of a regional deterrent posture vis-à-vis the USSR, the security of air and sea lines of communication, and cooperation with local allies and China. In order to carry out these missions, PACOM operated a network of bases in the Pacific and Indian oceans which provided a forward staging facilities; large scale repair, maintenance and replenishment facilities; in theatre command, control, communications and intelligence facilities; pre-positioned general purpose forces, and support for their peacetime (especially training) activities; and power projection capabilities. Under the Military Defence Assistance Agreement of 1953 (which revised and expanded the earlier Military Assistance Agreement of 1947), the US provided the AFP with assistance and training essential services, arms equipment, supplies, naval vessels, and aircraft.<sup>14</sup> A component of this agreement was the International Military Education and Training Programme (IMETP) in which Philippine military personnel received military education, management, technical training with emphasis on “professionalism, respect for human rights, technical capabilities and support of US origin equipment. Hence, we notice that the bases in the Philippines formed a critical strand of comprehensive geo strategic security network created by the US in the Asia Pacific and elsewhere.

However, the comprehensive and unconfined terms of the MBA soon aroused widespread criticism in the Philippines largely because it was seen as compromising national sovereignty. By the mid 1950s, it became evident that the MBA needed modification to bring it in line with prevailing domestic sensitivities. In September 1954, Secretary of State Dulles said that as US forces were deployed in the Philippines any attack on the latter would be ‘an attack on both.’<sup>15</sup> His government however resisted the inclusion of additional provisions under the Mutual Security Treaty. A succession of efforts were also

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<sup>14</sup> Ed. Kudeta: *the Challenge to Philippine Democracy*, p. 140.

<sup>15</sup> F.A. Mediansky, n. 13.

made to reconcile the basing arrangements with concerns about Philippine sovereignty. The joint statement by President Magsaysay and vice President Nixon in 1956 affirmed Philippines sovereignty over the bases and three year later, the Bohlen-Serrano agreement reaffirmed that sovereignty and reduced the donation of the MBA from 99 to 25 years.<sup>16</sup> Then in 1970s again, the Philippine sovereignty was reaffirmed on two occasions-by the Ford -Marcos communiqué of 1975 and by the Marcos - Mondale communiqué of 1978.The latter established the framework for regular reviews of the MBA.<sup>17</sup> In the 1970s, there were dramatic changes occurring across the world. The Vietnam war had ended in a fiasco for the US with the two Vietnams merging to form a United Vietnam under the leadership of a communist government. The communist People's republic of China and the US in a major fence mending exercise, struck the first chord of friendship which was to change the way international relations was to be conducted for all times to come. The pragmatic Chinese leadership Under Deng Xio-Ping embarked not only on politico-diplomatic bridge building but even opened the Chinese gates to the winds of free trade and market economy. This trend was complemented by the American policies such as the Gaum Doctrine which laid down that the American troops would not get itself muddled into any regional conflict in the south east Asian theatre and underlined the need for a reduced number of troops in the region. Such grave pronouncements obviously sent the countries like the Philippines in a tizzy since they had all along depended militarily on the physical presence of the American troops. During the martial law era of the Marcos' regime during the bases review tasks, he eventually had to climbdown due to the very nature of the despotic government that he had put in place.

In order to deal with the internal security problems arising out of the communist rebels and the secessionist MNLF (More National Liberation Front) in the southern islands, Marcos was

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<sup>16</sup> F.A. Mediansky , n. 13.

<sup>17</sup>Ibid.

obviously dependent on the strength of the Philippine military which in turn was dependent on the cooperation of the Americans. During the heyday of martial law, the size of the Philippine army doubled and its influence expanded significantly. Ironically, this expansion of the army had a double edge to it. While it was dependent on the US finances and support, it was also a part of Marcos' strategy to chart a role for the army, independent of the US armed forces. However the growing underperformance of the economy had two important consequences. Firstly, declining living standards fuelled social and political unrest, thus strengthening the communist insurgency. Secondly, in contrast to other authoritarian rulers in Southeast Asia (such as Suharto and Lee Kwan Yew), Marcos increasingly was unable to claim that the legitimacy of his regime was rooted in the successful promotion of economic growth and development. This proves the point that the Philippine military had not really been as strong and effective as it should have been. Owing to the perpetual sense of dependency on the Americans. The Americans fully exploited the situation to their advantage and in the negotiations over bases in 1979 always held the upper hand.

During the 1983 base agreement review again, both the Philippines and the US clashed again over not only the question of sovereignty but also over the extent of Filipinos' authority in the management of the bases. The two parties also clashed over the jurisdiction of the US base commanders and their subservience to the Philippine laws and authorities. Nevertheless, by the end of the 1983 agreement, the bases were formally designated as Philippine bases; Filipino base commanders were appointed; large tracts of land attached to the bases were reverted to the Philippines; and improved consultative arrangements were introduced. While the Philippines became more closely involved in the management of the bases, the United States nevertheless retained the right to conduct unhampered military operation.



Another issue of security which has often bedevilled the Philippines-US ties is the question of nuclear weapons. The Americans have often put their Filipino hosts in some sort of a diplomatic quandary by never overtly accepting the usage and storage of the weapons on the Philippines soil. Their 'neither confirm nor deny' policy has often stoked the sentiments of the Filipinos. Some prima-facie evidence suggests that the nuclear weapons had been stored in the Philippines at some point of time. Retired Admiral Gene La Roque of the Centre for Defence Information in Washington has argued in Congressional testimony that Subic "is probably the major naval storage point for tactical nuclear weapons in the Western Pacific".<sup>18</sup> On the other hand, a well documented study by William Arkin and Richard Fieldhouse claims that "nuclear weapons are no longer permanently stored in the Philippines". In an interview, Arkin said that the US probably ceased the permanent storage of nuclear weapons in the Pacific in 1974 as part of the substantial reduction of its nuclear weapons in the Pacific which cut the number of regional storage sites from sixteen to two between 1970 and 1980.<sup>19</sup> hence, the very fact that there are sources (however unconfirmed) vouching for the presence of the nuclear weapons on the bases despite the reluctance of the Filipinos, speaks volumes of the disproportionate clout that the Americans wielded in their bilateral ties with the Philippines.

Coming back to the question of the utility of the bases – did the bases contribute to the security of the Philippines by serving as a deterrent to attack and by helping to maintain a regional balance of power? Or did they reduce Philippine security by inviting a nuclear attack or by dragging the Philippines into a conflict not of its own making? Besides, did close economic ties with the United States offer a comparative advantage that the Philippines should have been able to exploit? Or did close ties make the Philippine economy dangerously vulnerable to changes in the American economy and to the dictates of

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<sup>18</sup> F. A. Mediansky, n. 13.

<sup>19</sup> Ibid.

the US government, and American Corporation? Moreover, did the servicing of debt owed to US banks limit the government's ability to address pressing social problems to the extent that it threatened social and political unrest? These questions are all critical to the determination of Philippine national security and require a careful analysis to untangle the knots.

Any study of the Philippines-US ties would be incomplete without a glimpse into the domestic state of affairs in the region. The decline in the legitimacy and stability of the Marcos regime was due in large part to a decline in national security, which began in the early 1980s and accelerated dramatically following the assassination of Benigno Aquino in 1983. It was this decline in national security which in turn contributed to a growing belief among key sections of Philippine society (and within the US government) that a change of leadership was necessary precipitating the much touted EDSA revolution. Marcos' futile bid to raise his standing in the reckoning of the Philippine public backfired when he fraudulently made a bid to engineer the outcome of the snap elections. The consequent EDSA revolution propping up the Corazon Aquino government to the centrestage of Philippine politics had a far reaching impact on the security conditions of the Philippines. Despite the risks inherent in the 1986 snap elections and its destabilizing outcome, in the end it had a positive impact on national security for a variety of reasons. First, the elections forced the creation for the first time of a united, moderate and credible opposition (and one which the US could accept). It also necessitated the inclusion of many traditional politicians which provided a certain element of continuity and stability to the new government. Finally and perhaps most importantly, the presidential elections ultimately contributed to the national security because the campaign kept the political struggles within the confines of the democratic process at least until election day. Thus, the nations politicisation happened in the context of seeking democratic change rather than revolutionary change. At the same time, the fraudulent

conduct of the elections totally discredited the Moro as regime, caused the influential Catholic Church to complete the break with Marcos, and gave Aquino a credible claim (in the eyes of most Filipinos and most foreign governments) to being the legitimate President. So, for these reasons, both the snap elections and the consequent EDSA revolutions contributed towards an increase in national security and stability. On the flip side, however, the inclusion of Juan Ponce Enrile (who played a key role in the EDSA revolt) as Aquino's Minister For Defence eventually caused divisions, both within the cabinet and between the civilian leaders and the Military.<sup>20</sup> Enrile, who was as ambitious as he was vehemently anti-communist, proved to be a divisive and destabilizing influence on the new government. Moreover, EDSA revolt also sharpened factional divisions and rivalries within the military between Marcos' loyalist and supporters of the new regime weakened both the AFP's unity and its ability to fight the insurgency. This was evident from the series of coup attempts during the Aquino government one of which was in December, 1989, when the US sent F-4 Phantom jets (supposedly as "Persuasion flights") to provide air support.<sup>21</sup> This demonstrates the fact that even for the physical safety of the head of the state, the Philippines was dependent on the American troops. So, the Aquino governments relationship with the US was of critical importance during its first two years, because of its need for American political and economic support. Consequently, there was little fundamental difference between the approaches of the Marcos and Aquino governments towards the United States Both needed and sought American support at the same time that they were required by domestic politics to demonstrate their independence from the United States. Their tactics, however differed. Marcos sought to take advantage of the strategic importance of the military bases to the US, whereas Aquino played upon the United States stated support for the restoration of democracy and sought to defer any discussion on the future of the base.

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<sup>20</sup> David G. Timberman, "Leadership change and National Security in the Philippines: 1983-88", *Contemporary Southeast Asia*, Vol. 11, No. 2, September 1989, p. 203.

<sup>21</sup> Kudeta, n. 14, p. 139.

However, this over dependence had its negative side too. US' influence on the AFP is felt mainly through the Joint US Military Assistance Group (JUSMAG) which enjoyed a "wide range of powers in the formulation of Philippine defence policies". JUSMAG advised the AFP, co-ordinated its procurement of equipment and virtually had all the say on what to do with military assistance. As a government report on the bases stated, financial assistance to the AFP "may not even touch Filipino hands ... but may go straight from the US government to US arms manufactures that the JUSMAG decides will supply the equipment for the AFP." In fact, it was only in 1971 that Filipino officers were allowed to participate in the process.<sup>22</sup>

The end of the Cold War however spelled momentous changes not only vis-à-vis the entire global spectrum of international relations, but had a bearing on the bilateral equation between the Philippines and the US too. As the United States' imperative for a South east Asian bulwark declined in the backdrop of the reduced need to countervail the now Federation of Russia, the strategic importance of the bases too declined. Moreover, for quite sometime, there had been internal clamour for the removal of the bases. The Americans on their side had a number of reasons to justify the continuance of the presence of the bases. Most importantly, the bases forced an indispensable link in the chain of "containment" that inhibited "Communist expansion" and preserved the security of the "free World". As an integral component of the counter balancing mechanism opposed to the soviet military forces situated in Vietnam, they represented a "security shield" behind which the countries of the region could pursue peaceful economic development. Economically the bases constituted a rich source of employment to the Filipinos. According to data circulated by USIS (United States Information Service), the American military annually spent over \$ 350 million in the Philippine. As of December 1985, the US facilities employed 20,581 full time workers, 14, 249 contract workers, 5064 domestics

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<sup>22</sup> Kudeta, n.14, p. 140.

and 1746 concessionaires, for a direct employment total of 42,265 Filipinos.<sup>23</sup> Annual salaries for the workers added up to \$82,885,042 (or about p 1,658 millions) making the US military the second largest employer after the Philippine government itself.<sup>24</sup> The treaty on the use of the military facilities specified an amount that the Philippine government preferred to view as “rent” for the bases which the US government would rather consider as “assistance”. The definitional problem was crucial since it determined whether the US government may have intervened in the disbursement of the money. It officially went in to the Economies Support Fund (ESF), administered jointly by the US Agency for international Development (USAID) and the Philippine government. From 1980 to April 1986, a total of \$327.5 million from the ESF was used to build some 2000 elementary school classrooms, 1400 kilometres of roads, 28 public markets, 11 vocational high schools, 5 slaughterhouses and 4 hospitals.<sup>25</sup> In addition to the ESF, the Philippines received Foreign Military Sales Credit (FMSC) and Military Assistance (MA) grants from the US. All these were linked to the use of the bases.

On the other hand, there had been increasingly vociferous protests against the presence of the bases and the consequent strident demands for their removal. The bases were considered by the Filipinos as an assault on the moral fabric of the Philippine life evident from the growing number of club, dance bars and the attendant rise in social evils such as prostitution, gambling etc. The anti base movement had begun during Marcos years itself when the Anti –bases coalition (ABC) were organized by people like Lorenzo Tanada and Jose W. Diokno.<sup>26</sup> The ABC brought together major nationalist politicians, cause oriented mass organizations, non-governmental groups, trade groups, religious institutions and ecological/antinuclear movements. In fact, the ABC

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<sup>23</sup> AR Magno, “Cornucopia or Curse: the Internal Debate on US bases in the Philippines”, in George K Tanham and Alvin H. Bernstein, eds., *Military Basing and the US/Soviet Military Balance In Southeast Asia*, p.153.

<sup>24</sup> Ibid.

<sup>25</sup> AR Magno, n.23, p.154.

<sup>26</sup> Ibid., p. 157.

even linked the dictatorship to the bases. As for the supposedly economic logic of the bases, one Filipino analyst notes that “only a small fraction of American disbursements... finds its way into the Philippine economy or invisible income. This is so because most of the appropriation for the bases are actually spent for maintenance and repair, which do not entail contract servicing by Filipino firms, and most purchases of consumption goods by base personnel are made at tax-free PX commissions. Income from the bases is, therefore, mostly for off -base housing facilities, for entertainment and recreation facilities, and the employment of Filipinos on-base. Further US base spending was mainly directed as consumption rather than capital investment and therefore did not contribute directly to an increase in Philippine production. On the contrary, it even had inflationary effects on the economy. Moreover, it is misleading to say simply that the US bases constituted the second biggest employer after the Philippine government. The number of Filipino employees and workers on the bases did not even amount to 5% of the 1.18 million persons employed by the Philippine government. The bases also employed less than 1% of the Philippine non-agricultural labour force.<sup>27</sup> Moreover, Filipino workers received less pay than their peers on bases in other countries, and complained of unequal pay for work equal to that done by Americans. Besides it also appears that the land allotted to the US military could have been more productive if it were used for agricultural ends. About 60% of the land occupied by Clark` and Subic was estimated to be arable. A study by the National Council for People’s Development (NCPD), a consortium of non governmental and people based organizations engaged in developmental work, argues that:” the Philippines has ‘thrown away’ an annual income of more than p456 million that could have been generated had the land been cultivated” (referring to the 53,000 hectares of land occupied by Clark).<sup>28</sup>

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<sup>27</sup> A R Magno, n. 23, p. 158.

<sup>28</sup> Ibid.

Another reason for the opposition to the bases was the sonic pollution caused by the aircraft affecting the livestock production in the areas alongside the Clark perimeter. Besides, alarm had also been often raised over the presence on the bases of US nuclear weapons, which carried the possibility not only of nuclear attack but also of nuclear accidents and last but not the least, the bases were still considered as an infringement on Philippine sovereignty and insult to the Filipinos' patriotic consciousness.

The political leaders used all this clamour to wrest as much as financial dividends as possible. In fact, prior to the explanatory negotiations in May 1990, Manila made it clear to Washington that it wanted a higher base compensation package for a new Military Bases Agreement (MBA) and would not be content with the US government's best effort commitment. Manila also reminded Washington that it had failed to provide the entire \$962 million in military and economic assistance it had committed to the Philippines during the 1988 bases review, Washington finally gave in to the Philippine demand for an additional \$222.58 million in military and economic assistance to compensate for the US aid shortfall.<sup>29</sup> The talks however revealed their divergent positions regarding their security relationship, portending the more chaotic, tedious and emotional negotiations that would occur from September 1990 to August 1991. In fact, before the September 1990 framework talks, the Bush administration told Manila that it would gradually phase out the US military facilities in the Philippines within a period that could last up to ten years, followed by continued military access to the facilities. The US proposal was an indication of the domestic shift in thinking within the White House. This shift was again a result of the end of the Cold War and the dawning of a new US –Soviet relationship. On November 13, 1990, Singapore's Prime Minister Lee Kwan Yew and US Vice President Dan Quayle signed an agreement that provided for

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<sup>29</sup> Renato Cruz De Castro, "Special Relations and Alliance Politics in Philippines US Security", *Asian Perspective*, vol. 27, 1 (2003), p. 147.

the increased use of Singapore's military facilities by US naval and air force units. The agreement allowed the US Navy to utilize Sembawan Dockyard for repairs, and for US military aircraft to fly training missions out of Paya Lebar airport.<sup>30</sup> The agreement signified an almost permanent US military presence on the island. This opening up of options to the US policy makers reduced their strategic dependence on the Philippines. On 9<sup>th</sup> June 1991, Mt. Pinatubo in Central Luzon erupted badly damaging both Clark Air Base and Subic Naval Base. Washington temporarily abandoned Clark and pulled out 4500 personnel or roughly 64% of the American forces based in the Philippines.<sup>31</sup> More importantly, the eruption forced the Pentagon to assess the cost of repairing the two bases and consider whether the US would have any use for these facilities. Besides, the rejection of the PACT (Treaty of Friendship, Cooperation and Security) signed on August 27<sup>th</sup> 1991 by the Philippine Senate by a vote of twelve to eleven on September 16<sup>th</sup> 1991 finally dealt a death-blow to the bases agreement.<sup>32</sup>

The withdrawal of the bases very significantly coincided with the demise of the Cold War world order. In the early 1990s, the Philippines enjoyed a relatively benign regional security environment, which could hopefully provide the country the opportunity to focus on political and economic development as well to concentrate its defence efforts on internal security problems. Buoyed by the immediate post cold war euphoria, the Philippines assumed that it could design a foreign policy beyond the "special relations" with the United States by experimenting with regionalism and multilateralism. The Philippine government took into account ASEAN's increasing unity or cohesion as an important factor that prevented serious conflict caused by irredentist claims, rebellions and other intrigues in Southeast Asia from escalating into outright military confrontations, during the cold war. Moreover, Manila saw ASEAN as the most effective, resilient and

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<sup>30</sup> Renato, n. 29, p. 152.

<sup>31</sup> Ibid. p.155

<sup>32</sup> Ibid. p.157



universally accepted regional organization providing new initiative to preserve the environment of peace, prosperity and cooperation in Southeast Asian and the entire Asia –pacific region. One of the initiatives Manila expected to play a significant role in regional security affairs was the establishment of the ARF. The key rationale for establishing the ARF from a Southeast Asian point of view was to engage the two key Asia pacific powers, the US and the People’s Republic of China. And the Philippines being linked with both of them needs to be studied from a multilateral perspective. In the post –Cold War period and in the face of a rising China, US east Asian Strategy has been geared toward retaining the American preponderance of power. Thus, the US has pursued a strategy of containment and deterrence centred upon the regional bilateral structure and the ties with the Philippines along with other forms a part of this multipronged master plan. Former Secretary of State Baker had called for a US security policy towards the Asia pacific region that is like a “fan with three spokes”. It was an attempt to provide an operational framework for achieving traditional foreign policy objectives (stability, trade and access).

As far the ARF, Washington initially opposed the idea of a regional multilateral security forum, but subsequently agreed to participate in it. With the collapse of the Soviet Union, the Bush administration was forced to reformulate American strategy in the Asia pacific from one of containing Soviet/Chinese/communist power to one of maintaining the status quo balance of power. In 1990 and 1992, two key Defence Department strategy documents known as the East Asia strategy Initiative (EASI) I and II, portrayed the US as a regional balancer, an ‘honest broker’ playing a critical stabilizing role.<sup>33</sup> The threat perceptions to the US were in the process of being revised. These was uncertainly about the role of Russia in East Asia; relations with Japan soured with rising trade deficits and accusations of

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<sup>33</sup> Evelyn Goh, “The ASEAN Regional Forum in United States East Asian strategy”, *The Pacific Review*, vol. 17, No. 1, March 2004, p. 51.

Japanese security free riding; and China's status in American eyes after the end of the Cold War especially in the backdrop of the Tiananmen massacre. As for US' policy vis-à-vis the Philippines, despite the two being allies under the 1951 Mutual Defence Treaty (MDT), Washington significantly downgraded the importance of its political and military relations with its oldest Asian ally. The US warred that it would be difficult to guarantee the external defence of the Philippines in as much as US forces had lost a facility from which they could operate. The Pentagons' 1992 East Asian Strategic Initiative and 1995 East Asian Strategic Review barely acknowledged the Philippines as an American ally in East Asia. The 1995 East Asian strategic Review went so far as to place US security relations with the Philippines under the rubric of the Association of South East Asian Nations (ASEAN) states and to stress Washington's efforts to broaden the US network of access and pre-positioning arrangements with other South east Asian states.<sup>34</sup> In November 1994, the Philippine government even rebuffed a US proposal for a "US -Philippines Acquisitions and Cross-Servicing Agreements." The refusal stemmed from Manila's sensitivity to domestic criticism on the possible return of American forces to the Philippines.<sup>35</sup> The Ramos administration also did not actively pursue a Status of Forces Agreement with Washington as it felt that any further security arrangement with the US was a political risk in the midst of strong anti-American sentiment in the Philippines. Consequently in 1996, the allies suspended large scale military exercises, pending an agreement on the legal status of visiting US personnel.<sup>36</sup> Only small scale exercises involving not more than twenty US personnel were allowed. On the other hand, the Philippine government realized that its interests would be better served by not expecting any kind of special treatment for the US in terms of trade concessions, diplomatic support and sizable economic and military assistance. Eventually, Manila

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<sup>34</sup> Renato, n. 29, p. 158.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

began to steer its foreign policy away from Washington and towards its South east Asian neighbours.

However such dramatic turn of events did not eventually prove to be long lasting. For, in the fluid and vibrant scheme of international relations, forging new ties and dissociating from the older one are almost a rule, not an exception. The way things shaped up once again brought the erstwhile staunch allies together. This is where the role of the Peoples Republic of China assumes importance and its association with both the Philippines and the USA. The year 1995 marked a turning point when the Philippines discovered Chinese built structures on Mischief Reef –a small rocky outcrop lying 135 miles west of Palawan and well within the Philippine- claimed 200 mile exclusive economic Zone (EEZ).<sup>37</sup> The Philippine reconnaissance aircraft confirmed the existence of Chinese structures on the Reef – four platforms on stilts, with three to four octagonal bunkers on each platform, equipped with satellite communication equipment. Philippine President Fidel Ramos condemned the construction of the structures as “inconsistent with international law and the spirit and content of the 1992 Manila ASEAN Declaration on the south China Sea to which both (countries) are parties.”<sup>38</sup> Although the Ramos administration made a token military gesture by reinforcing the garrison on the kalayaans, diplomacy was the only realistic option available to the Philippines to defuse the crisis. Philippine and Chinese officials held two rounds of discussions over the dispute, and ASEAN as a group raised the issue with the PRC in Hongzhou in April 1995.<sup>39</sup> The Philippines’ diplomatic strategy seemed to have paid off in August 1995 when the two countries agreed on a code of conduct and the Chinese leadership agreed to abide by internationally recognized laws like UNCLOS (United Nations Convention on the Law of the Sea). The code was aimed at preventing similar incidents occurring in the future, and

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<sup>37</sup> Ian James Storey, “Creeping Assertiveness: China, the Philippines and the South China Sea Dispute”, *Contemporary Southeast Asia*, Vol. 21, no.1, April 1999, p. 97.

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*, n.37, p. 97

increasing bilateral cooperation in the South China Sea. The signing of the code of conduct did not, however signal an end to the dispute. In April 1997, tensions were again raised when eight Chinese naval vessels were sighted near Mischief Reef and a new structure was seen on a reef six miles northeast of the Philippine-held kota island. At the same time, two vessels owned by the Chinese State Oceanic Administration were intercepted by the Philippine navy near Scarborough shoal, a small reef lying 130 miles west of Luzon (Scarborough shoal is not part of the Spratly group, but its ownership is disputed by both the PRC and the Philippines). In October 1998, the issue of Mischief Reef came to prominence again when the Philippine government produced photographs of Chinese vessels unloading construction materials at the reef.<sup>40</sup> Such recurrent and unrelenting Chinese incursions prompted the Philippines to take the initiative towards reengaging the US on military terms. Furthermore, given the deficit in the national budget, the government considered the improvement of its security ties with Washington as vital in getting American support for modernizing the ill –equipped AFP. In late 1996, the two countries conducted a series of negotiations on providing a legal guarantee for American troops deployed in the Philippines during military exercises and ship visits. It took Manila and Washington almost two years of tense and impassioned negotiations before an accord could be drafted. On February 11<sup>th</sup> 1998, the two sides finally signed a Visiting Forces Agreement.<sup>41</sup> The VFA operationalised the defence alliance between the Philippines and the US as defined by the Mutual Defence Treaty.

Both the US and the Philippines deemed the VFA important for reviving the alliance. For the US, the VFA had facilitated the resumption of visits by US naval vessels to Philippine ports and the conducting of Filipino-American joint military exercises. These activities definitely enhanced the US forward deployment posture in

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<sup>40</sup> Ian, n. 38, p. 98.

<sup>41</sup> Renato Cruz De Castro “Revitalized Philippines-US Security relations”, *Asian Survey*, vol.44, no.1, Jan-Feb 2004, pp. 154-171.

East Asia in the face of China's strengthening and flexing its military muscle. Washington had been apprehensive of uneasy relationship between china and Taiwan since the March 1996 stand off. From its standpoint, any improvement in Philippine –US security relations

would increase American access to the air and naval infrastructure in Luzon and would allow for the rehabilitation of these facilities to expedite the rapid deployment of US forces in case of any security crisis in North east Asia. The Untied States also hoped that this military accord would lead to familiarity, cooperation and interoperability of the two countries' armed forces and to the general improvement of the Philippine –US security partnership. The Philippines on the other hand, had regarded the agreement as a means to facilitate military –to-military contacts with Washington that would help the AFP modernize, acquire operational strategy and develop the inter operability of Philippines-US Forces. The country's defence officials had considered a revived alliance with Washington as a hedge against conflicts that might erupt from its territorial claims in the Spratlys and the general instability in North east Asia. And in view of Manila's inability to Modernize its armed forces in the late 1990s, Philippine officials anticipated that any improvement in the security relationship could lead to an increase in US military assistance that could hopefully bridge the gap until the country was able to finance its own military modernization programme. Thus, President Joseph Estrada and Defence Secretary Oralando Mercado actively lobbied the Philippine Senate to agree to the VFA. Notably, these two former senators had voted to reject the PACT in 1992.<sup>42</sup> In 1999, the Philippine Senate indeed ratified the US-Philippines Visiting Forces Agreement which paved the way for the large scale Balikatan Military exercises in Feb. 2000. The VFA provided the framework for the development and implementation of an effective AFP modernization programme.

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<sup>42</sup> Renato, n. 41.

In this respect it is imperative to discuss the state of the Armed Force of the Philippines (AFP which are obviously a principal player in security association with any external force, not to speak of the United States. The armed forces in the Philippines derive their legitimacy from the constitution itself which prescribes the mandate for national defence. Accordingly to Section 3, Article II of the constitution, "The Armed Forces of the Philippines is the protector of the people and the state. Its goal is the secure the sovereignty of the state and the integrity of the national territory."<sup>43</sup> Furthermore, section 5, Paragraph 1, 2 and 3 Article XVI lay down the following :

(1) All members of the Armed Forces shall take an oath of affirmation to uphold and defend the constitution.

(2) The state shall strengthen the patriotic spirit and nationalist consciousness of the military, and respect for people's, right in the performance of their duty.

(3) Professionalism in the armed forces and adequate remuneration and benefits of its members shall be a primary concern of the state. The armed forces shall be insulated from partisan politics.<sup>44</sup>

As far the statutory foundations, the Republic Act 7077: The AFP Reservist Law provides for the development, administration, training, maintenance and utilization of a citizen armed forces or reserve force which will provide the base for the expansion of the Armed Forces of the Philippines in the event of war, invasion or rebellion. The Reserve force can also be tasked to assist in relief and rescue during disasters or calamities, in socio-economic development and in the operation and maintenance of government and private utilities.

Then the Republic Act 8551 approved in February 1998, returns the primary responsibility for counter insurgency to the Armed

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<sup>43</sup> In Defence of the Philippines:1998 Defence Policy Paper

<sup>44</sup> Ibid.

forces of the Philippines. The AFP will be assisted by the Philippine National Police (PNP) through information gathering and the performance of police functions. According to the republic Act 7878, the AFP needs to be modernized to a level where it can effectively and fully perform its constitutional mandate to uphold the sovereignty and preserve the patrimony of the republic of the Philippines. The law provides for modernization of the AFP in five major areas: Force Restructuring and organizational Development, Capability, Material and Technology Development Bases Development, Human Resource Development and Doctrine Development.<sup>45</sup> Therefore, the AFP appears to be the life and breath of the Philippine nation responsible in various different ways to the people of the Philippines. The 1998 Defence Policy Paper "In Defence of the Philippines" lays down two approaches to meet the Philippines' defence objectives -Defence Self Reliance and Defence Cooperation. Though apparently the two may seem contradictory, they actually complement each other. The AFP is weighed down by a vast array of internal and external problems which are challenges rather than problems according to the Department of National Defence (DND). Some of them include the insurgency involving the communist movement and the separatist movement led by the MNLF and various other factions in the Southern Philippines; transnational crimes such as international terrorism, trafficking in drugs and weapons, human smuggling, illegal migration, money laundering, gunrunning, prostitution, counterfeiting; the safety and security of Overseas Filipino workers; non-traditional missions like disaster relief and rehabilitation activities, the protection and preservation of the environment, community assistance, fire fighting, bomb disposal, support to law enforcement, search and rescue, infrastructure building and peacekeeping operations; and most importantly the territorial sovereignty and security of the nation.

As for the actual problems afflicting the AFP on the eve of military bases' withdrawal by the US, they were quite significant,

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<sup>45</sup> In Defence of the Philippines: 1998 Defence Policy Paper

which had a deep impact on the performance of the forces. The Philippine Navy had only 21 patrol ships, 22 transport and service vessels to protect the country's 1.29 million square kilometres of territorial waters and its 1.69 million square miles of EEZ.<sup>46</sup> It was the only naval force in the ASEAN region without any missile capability.<sup>47</sup> Many of the Philippine Navy's ships had limited patrol radius and were not even considered seaworthy. The PAF (Philippines Air Force) was in an even worse state, having relied on the US for as much as 61% of its operational needs. With the AFP being in such dire straits, the VFA and the concomitant PDF (Philippine Defence Reform) was just the right oxygen to resuscitate the ailing forces. The September 11 attacks on the cities of New York and Washington infused a totally new dynamism to the security ties between the two countries. The unconditional support on the 'war on terror' pledged by the Arroyo government greatly helped the AFP's cause since the US returned the compliment by declaring it no less than a Major Non NATO Ally (MNNA). However, the wheels of intense security cooperation had been set off in 1999 itself when a Joint Defence Assessment (JDA) process was launched producing a few tangible results beyond the deployment of some US Technical Assistance Field Teams and a 2001 report.<sup>48</sup> A second JDA updating the initial effort was launched in May 2003 and its implementation was prioritised in an agreement concluded during the October 2003 visit to Manila by US President George Bush. The JDA identified 65 key areas and 207 ancillary areas of concerns and they were ultimately distilled to 10 key recommendations. The latter are to be addressed in two five-year phases that started in 2004.<sup>49</sup> The five recommendations covering the PDR's first phase are:

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<sup>46</sup> <http://www.wowessays.com/dbase/ae4/lmy301.shtml>.

<sup>47</sup> Ibid.

<sup>48</sup> Robert Karniol, "The Philippines: Internal Security Concerns", *Janes Defence Weekly*, 19<sup>th</sup> Jan 2005, p.27.

<sup>49</sup> Ibid.



- to implement a strategy-driven multi year defence planning system;
- to improve AFP operational and training capacity;
- to improve operational readiness rates of key AFP systems;
- to improve operational level expertise by addressing organizational, management and operational systemic deficiencies; and

In the second five-year phase, covering the period 2009-13, the focus will be

- to plan, programme and execute a multi-year capability upgrade programme for the AFP;
- to optimise the defence budget and improve management controls;
- to create a professional acquisition workforce and establish a centrally managed defence acquisition system;
- to increase the capability of the AFP to conduct civil-military operations; and
- to develop accurate baseline data on critical AFP functional areas.

This approach differs significantly from previous initiatives. Most importantly, it establishes a critical link between force modernization and systemic reforms. This also introduces strategic considerations. At the same time, the PDR institutionalises the reform process where previous efforts have been fragmented and ensures funding support. Manila estimates that implementing the PDR will cost some 20 billion peso (\$357 million over ten years, with some proportion provided by the US.<sup>50</sup> Washington's participation is keyed to provide tangible support beyond its assessment activities through

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<sup>50</sup> Robert, n.48, p. 27.

Foreign military Financing (FMF) programme, which includes providing equipment under the Excess Defence Articles (EDA) programme and its International Military Education and Training Programme.<sup>51</sup> The US is also sending subject matter experts and functional area experts to help the AFP improve systems such as personnel management, training and doctrine. Some of the important equipment obtained under the US EDA programme since 2002 includes;

- 1 Lockheed Martin C-130 B transport aircraft;
- 1 Cyclone –class coastal patrol vessels;
- 2 Point –class cutters;
- 28 UH-1H Huey helicopters;
- 49 M113 APCs;
- 30,000 M-16 assault rifles.<sup>52</sup>

Besides adding strength to the military hardware, the army's modernization plan envisages boosting AFP command and control systems. It includes a fixed communications system to provide telecommunications services within and between military facilities nationwide; a geographic information system for mapping, analysing and visualizing spatial data, a computer-based community area network; an integrated radio-trunking system; and several types of specialized communications equipment such as very high frequency FM 2W hand-held radios and high frequency SSB 20W manpack radios.<sup>53</sup> Furthermore, the VFA also allowed a resumption of large scale military exercises –most notably the 'Balikatan' series launched in 1981 and suspended in 1996 and reinstated in 2000. 'Balikatan' which means shoulder to shoulder was designed to ensure the interoperability of Philippines and US security forces. It is the main training platform for bilateral operations under the MDT in defence of

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<sup>51</sup> Robert, n. 48, p.29.

<sup>52</sup> Ibid.

<sup>53</sup> Robert Karniol, "The Philippines", *Janes Defence Weekly*, 6<sup>th</sup> Nov.2002, p.25.

the Philippines against external threat, but it took an unexpected turn in 2002. The normal 'Balikatan' exercise emphasizing external defence was supplemented by 'Balikatan 02-1' with some 1200 US personnel and focused on Counter Terrorism (CT) training on the troubled southern island of Basilan.<sup>54</sup> 'Balikatan 02-1' was a one-shot deal with specific aims: to go after a specific group like the ASG (Abu Sayyaf Group) and to train the AFP to deal with internal security. It is possible that Manila chose to flag it [up] under the 'Balikatan' series rather than using another name for domestic political reasons.<sup>55</sup> In contrast to the policy of stationing sizable air and naval units in the Philippine bases during the Cold War era, the US troops deployment for the Balikatan exercise totalled 660 personnel and ten aircraft (three C-130s and seven medium and heavy helicopters). Only 160 US personnel directly participated in the actual military exercise, while 500 were crew and service personnel for the aircraft, watercraft and other major equipment used during the operations.<sup>56</sup> The civic component of "Balikatan 02-1" was dubbed "operation Gentle Wind" under which US Army engineers built or rehabilitated roads, bridges, air and seaport and schools, along with the provision of medical and healthcare for the residents of Basilan.<sup>57</sup> Representing another pillar in the strategic relationship between the two is the Mutual Logistics Support Agreement (MLSA). Signed in November 2002, its purpose was to lower the cost of security cooperation by minimizing administrative costs and wastage.<sup>58</sup>

As for cost benefit analysis of the 'Balikatan' exercises, the results were rather mixed. It was marked by a botched rescue effort that caused the death of two hostages and the wounding of another. The operations also failed to eliminate the Abu Sayyaf. Nevertheless, it succeeded in upgrading the AFP's tactical manoeuvre forces combat capability and the Southern Command's Integrated Territorial Defence

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<sup>54</sup> Robert, n.53, p. 25

<sup>55</sup> Ibid., p. 25.

<sup>56</sup> Renato, n.41, p.166.

<sup>57</sup> 11<sup>th</sup> Backgrounder on Philippines-US relations issued by Presidential NewsDesk on the run up to the State visit of George W Bush.

<sup>58</sup> Ibid.

system. This was evident when the Southern Command neutralized the Abu Sayyaf's freedom of movement and minimized the terrorist groups capability to conduct terrorist activities in Basilan. However, the Abu Sayyaf responded to the military's tactical advantage by strategically transferring its operations to other parts of Mindanao. The military exercises' biggest gain however may have been political and economic rather than military. Balikatan strengthened domestic political support for the revitalized alliance as it complemented the Philippine government's programme of social reforms and poverty alleviation in the poorest part of Mindanao. The local people appreciated the road building, well digging and other economic and humanitarian assistance that accompanied the counter terrorism training programme. The exercise also boosted the local economy through the holding of regular trade fairs, the American procurement of local goods, and the hiring of local companies engaged in laundry and food-catering services.

Besides, the much touted 'Balikatan', there are a number of joint military exercises between the Philippines and the US:

- Balance Piston – a Joint/Combined Exchange Training (JCET) exercise specializing in small unit tactics conducted by the US Army's 1<sup>st</sup> special Forces Groups and the Philippines Army's special Operations Command.
- Teak Piston –sponsored JCET Exercise specializing in various types of air operation and maintenance conducted by the USAF's 353<sup>rd</sup> Special Operations Group and the Philippine Air Force.
- Flash Piston –JCET Exercise specializing in maritime operations and small unit tactics conducted by the US Navy Special warfare Unit 1 and the Philippine Navy Special warfare group.
- Vector Balance Piston - sponsored JCET Exercise specializing in close quarter battle and marksmanship skills
- Carat (Cooperation Afloat Readiness and Training) - 7<sup>th</sup> fleet sponsored US Navy and Philippine Navy exercise focusing

on underway naval combat training, amphibious operations, and air surveillance.

- MARSUVEX (Maritime Surveillance Exercise) – quarterly 7<sup>th</sup> fleet sponsored US navy and Philippine Navy exercise involving US navy P3 Orion aircraft to improve over the Horizon Targeting (OTHT) and maritime operations with air and surface assets.
- PALAH (Pang Lupa Alon Himpapawid –Sea Land and Air)- semi-annual 7<sup>th</sup> fleet sponsored bilateral exercise focusing on small unit tactics, marksmanship and over the beach (OTB) training conducted by US Navy Seals and Philippine SWAG.
- MTWS (Maritime Tactical Warfare Simulation) – annual III Marine Expeditionary force sponsored exercise emphasizing desktop computer decision –making and wargaming.
- SAGIP-CINCIPAC J08 sponsored annual multilateral gaming seminar dealing with Humanitarian Assistance and Disaster Response.
- HANDA –Annual Seminar focusing on US-RP crisis action planning for coordinated and combined operations.<sup>59</sup>

Such comprehensive and wide ranging nature of security relationship does not mean that the Philippines was univocal on the US only. Manila also approved the purchase of at least two armoured recovery vehicles from Turkey's FNSS Defence Systems.<sup>60</sup> In order to bolster firepower, it also purchased Minimi 5.56 mm light machine guns from Belgium's FN Herstal at a costs of 122 million pesos.<sup>61</sup>

The AFP reshaped its force modernization programme to emphasise internal security operations (ISOs) in the process renaming this as the Capability Upgrade Programme (CUP). The CUP in divided

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<sup>59</sup> 8<sup>th</sup> Backgrounder on Philippines-US relations issued by Presidential NewsDesk on the run up to the state visit of George W bush

<sup>60</sup> Robert, n. 53, p.25.

<sup>61</sup> Ibid., p.25.

into three six-year phases to coincide with presidential terms, with the government having pledged funding support of 5 billion peso annually. The first of these, covering 2005 –10 and including a triennial review, is geared to resolve current deficiencies in ISO.<sup>62</sup> Force modernization focusing on external defence capabilities will be introduced once the AFP can address the internal threat, perhaps beginning with the CUP's second phase. The first phase efforts would focus on basic equipment such as tactical radios, assault rifles, squad automatic weapons night – vision systems, and protective equipment like body armour and helmets. The army also aims to improve its lift capability including modifying several helicopters as air ambulances. There are plans to upgrade a number of M113 armoured personnel carriers (APCs). The army is also in the early stages of planning a restructure to better conduct ISO. The new system would be based on a number of territorially anchored infantry division together with a manoeuvre force comprising at least two divisions plus the single light armoured brigade. The Special Operations Command and Army Support Command would be retained as specialized elements, together with the Training and Doctrine command.

Any comprehensive examination of the Philippines-US security relationship would not be adequate without factoring in the scourge of terrorism. This scourge which the world seems to have waken up to only after the September 11 attack, has a deeper past in the Philippines, albeit in a different incarnation. It was the separatist insurgency movement in the southern Philippines which for the world outside especially the US was a strand of global terrorism. The Islamic insurgency in the southern islands of the Philippines has had a long and tortuous history. The three hundred years of Spanish rule could not bring to heel the Muslims in the Southern Islands who staunchly strive to defend their religio-cultural identity. However, the overwhelming dominance of the Christians did engender a separatist movement initially led by the MNLF (More national Liberation Front) under Nur

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<sup>62</sup> Robert, n.48, p.29.

Missauri. Despite having reached an accord with the central government brokered by the Libyan government in 1976, the peace could not stand the test of time. In 1978, disgruntled MNLF members under the leadership of a Cairo-educated cleric named Hashim Salamat formed the Moro Islamic Liberation Front (MILF).<sup>63</sup> The MILF quickly grew to include some 12,000 armed men concentrating mainly on Mindanao and claimed the mantle of Muslim resistance. In 1990, contact between a young militant named Abdurajak Janjalani and Mohammed al Khalifa {Osama Bin Laden's brother-in law} led to the founding of another Muslim separatist group, the Abu Sayyaf which quickly entrenched itself on the islands of Basilan and Sulu.<sup>64</sup> However, in no time the Abu Sayyaf veered away from mainstream Islamic rhetoric to degenerate into some kind of a bandit group notorious for ransom driven kidnapping. In 1996, the MNLF and the government once again reached a truce under which six provinces with Muslim population voted to become the Autonomous Region of Muslim Mindanao (ARMM) under MNLF's political control.<sup>65</sup> However, a lasting peace once again proved to be elusive with Nur Missauri himself leading the opposition brigade. As for the Abu Sayyaf, they had been involved in a high profile case in May 2001, when they kidnapped twenty people from a resort in Palawan in which an American Christian missionary Martin Burnham was killed. Since there are strong intelligence reports about Abu Sayyaf's and MILF's linkages with the Al Qaeda and the Jemmah Islamiya (JI), the Americans too are hot on their heels. In the early 1990s, Hambali of the JI supposedly helped establish a network in the Philippines and cooperated with the MILF.<sup>66</sup> The unqualified support by the Philippine President Ms. Gloria M. Arroyo has earned the Philippines the much exalted title of Major Non NATO Ally (MNNA).<sup>67</sup> In the aftermath of

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<sup>63</sup> Steven Rogers, "Beyond the Abu Sayyaf: The Lessons of Failure in the Philippines", *Foreign Affairs*, vol.83, No.1, Jan/Feb 2004, p.16.

<sup>64</sup> *Ibid.*

<sup>65</sup> [http://www.house.gov/international\\_relations/108/dal0610.htm](http://www.house.gov/international_relations/108/dal0610.htm).

<sup>66</sup> Suzaina Kadir, "Mapping Muslim Politics in South east Asia after Sep.11", *The Pacific Review*, vol. 17, No.2, June 2004, p. 217.

<sup>67</sup> <http://www.usembassy.state.gov/posts/rpl>

September 11 and the discovery of the culpability of the Al Qaeda, the US officials described Southeast Asia as the 'second front' for international terrorism. They pointed to the discovery of the JI network of terrorist links in Indonesia, Malaysia, Singapore and the Philippines as a prime example. With the governments' increasing tendency to conflate Islam with militant terrorism, the Muslim are suddenly confronted with a thought provoking questions about their religion and religious identity especially vis-à-vis the modern secular nation state. Questions such as whether being a Muslim was possible within a secular environment, whether Islam was a modernizing force and whether Islam was compatible with democracy were often raised. The US considers that the threat posed by the radical Islam in Southeast Asia was likely to radiate to the rest of the world including itself. However, there are several significant reasons why the threat posed by the radical Islam in Southern Asia is not as forbidding as it may seem to be. Firstly, there is no risk in the region of state sponsored terrorism against US interests. Secondly, the profound ethnic and religious diversity (including the practices of Islam) that characterizes the area militates against the establishment of fundamentalist hegemony by any one group. Thirdly, all the major Southeast Asian countries are more or less democratic. Dissent is generally tolerated, making radical Islam seem less attractive as a broader vehicle for opposition to the government. Finally, the only terror groups in the region that have demonstrated a capacity for large scale attacks -the JI and the KMM have small membership and have limited ties to a more broad -based Islamic groups. The two organizations therefore remain a challenge for law enforcement, not the military.

In the South east Asian region the US has also gone beyond the Philippines to strengthen its network of military exercises. In fact, there have been attempts to establish a linkage between the exercises with the Philippines and other countries. For instance, Exercise Team Challenge (ETC) is a multinational military exercise involving major American friends and allies in Asia such as Australia,



Singapore and Thailand.<sup>68</sup> The Philippine government has itself initiated a regional coalition against terrorism with the member states of ASEAN. The Philippines, Malaysia and Indonesia commenced the formation of this regional coalition by signing on 7<sup>th</sup> May 2002, the Trilateral Agreement on Exchange of Information and Establishment of Communication Procedures as a regional counter –terrorism measure.<sup>69</sup> The agreement is part of Southeast Asia's battle against regional military groups through the mutual exchange of information. A little before in March 2002, Thailand, another US Ally in Southeast Asia hosted the planning conference of the Southeast Asia cooperation Against terrorism (SEA-CAT) exercise. Attended by participating navies from Indonesia, Malaysia, the Philippines, Singapore and the US, SEA-CAT is the first of its kind.<sup>70</sup> Its purpose is to establish a regional co-ordination infrastructure for information sharing and exchange, supporting a multinational response to combat terrorism.

Now, it is important that we look at the nature of change in bilateral relationships and US' strategic perceptions in the South east Asia in the aftermath of the September 11. Firstly bilateral relations have a much greater military component than they have had at any time since the end of the cold war. This is most graphically evident in the Philippines itself. Secondly, the US is rethinking the value of its formal Asia-Pacific alliances. It is looking beyond relationship with traditional Southeast Asian partners such as the Philippines, Singapore and Thailand to new regional allies such as Indonesia and Malaysia. It seems consistent with Washington's preference for ad-hoc 'coalition of the willing' to combat terrorism. Thirdly, the overriding focus on terrorism also has consequences for other American foreign policy objectives such as the promotion of human rights. Regional NGOs have protested that human rights concerns are being sacrificed for Southeast Asian military cooperation and political support. They also worry that

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<sup>68</sup> Rommel, n. 11, p. 306.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

the counter terrorism also could be the pretext for military oppression in certain countries such as Myanmar. And most importantly, South east Asia is back on the radar in Washington's geo strategy. However, not all has really changed. The fundamental concerns of both the ASEAN countries and the US remain virtually the same. ASEAN states still look to Washington to play a stabilizing role in regional security. Despite the new focus on counter terrorism, bilateral cooperation remains the preferred means of engagement for both the US and ASEAN government. And most importantly, while the world plainly changed for the US on 11<sup>th</sup> September 2001, for ASEAN states, most of the security challenges remain the same. They are looking to preserve regime security, pursue economic development and advance nation-building agendas while also seeking to preserve their autonomy within the wider region.

Taking a final stock, the Philippines US security ties seem to be an inalienable connecting link in the chain of global security network laid out by the Americans. In the backdrop of the latest security threat such as terrorism to the US, the Americans are leaving nothing to chance in order to protect their people and interests. It seems plausible that they may have a great role in colouring the Islamic separatist movement in the Southern Philippines as a manifestation of global terror, which actually may not be so. The Moro movement may have been just a local separatist movement drawing its support and sustenance from the exogenous forces. The ramping up of this as a part of global phenomenon only arms the super power with more legitimacy to surge full throttle ahead to secure its national interests. The Philippine political and military leadership too may be using this pretext to both put down the discontented as well as to gain credibility in the eyes of the public. Nevertheless, this doesn't take away the fact that the menace of terrorism is a stark reality which needs to be handled with all the tact, planning, co-ordination and cooperation at the global level. The current standoff in the Korean peninsula with North Korea opting out of the Nuclear Proliferation

Treaty (NPT) makes North east Asia a more hazardous proposition. The seemingly never-ending Israel-Palestinian conflict in the Middle East is a constant source of anxiety to the world leaders. Iran too has heckled the West's nuclear sensitivities. The perpetual civil wars in different parts of the dark continent are forever a reason for trouble, with the latest trouble spot being Darfur in Sudan. The rise in ethno-religious based identity movements across the world is another matter of concern. The increasing inequality as a result of globalisation is only compounding the situation. With technology racing ahead at break neck speed and the spectre of inter galactic weapons of mass destruction looming large, all the nations must act in concert to forestall any cataclysmic eventuality. Such threats can exist for both a small power and a big power and hence the ties between the two only reinforce the sense of mutuality between them. The Bush administration leading the neo-con brigade in the American foreign policy establishment is intent on imposing a neo-imperialist world order as seen in Afghanistan and Iraq. The Arroyo government by sending troops to Iraq has signalled to the world that it is unqualifiedly with the US against the terror network. However, this over enthusiasm was tempered by recalling of the troops due to a hostage situation though not having any long term adverse impact on the reinvigorated relationship.

### CHAPTER III

## ECONOMIC TIES

If there is one thing that nation-states cannot do without, it is the act of exchange and transaction that facilitates the transfer of anything from one surplus state to another deficit state. For, without exchange, no nation can survive entirely on its own since no nation is an island of isolation equipped with “all” the ingredients for it to function on a normal day- to day basis. There has to be something or the other it would require in order to carry out its usual socio-economic functioning. This is where the notion of interdependence or mutuality makes such a significant difference. Besides, within a nation, it has to continuously generate resources, multiply endowments in order to keep up with the growing demands of an ever-swelling population. Agriculturally, it has to increasingly raise its productivity so as not only to feed its population and impart thrust to the agro-products industry, but also to raise certain crops for export market to earn some foreign exchange. Industries have to be developed utilizing the minerals and raw materials available not only within the country but even imported from outside. The services (sector) have to be continuously upgraded as they play the role of lubricating agents of any economy. All these sectors mentioned above need to be given a push so that they remain efficient not only internally but also stay competitive in the international export markets. To raise resources within the country, an economy must have a robust financial system with the central bank having the authority to regulate and run the money supply in accordance with the large credit needs and demands of various sectors. Then an advanced and upgraded capital market should be developed to not only to mobilize resources for various public and private enterprises but also to bring about some sort of an equity culture among the public, in the process democratising the national wealth (through issuing of public of public offerings). The country should also possess a world class infrastructure in terms of transport and communication, an uninterrupted power

supply, an efficient warehousing machinery especially for agro products, and most importantly, state of the art technology having an all pervading presence in every fibre of the economic apparatus. The country's export potential should be sufficiently cultivated with an eye on capturing a good portion of international market and hence raking in foreign exchange. A good amount of foreign exchange reserves is an indispensable prerequisite for not only import needs but also to uphold the financial credibility of the economy determining its ability to attract foreign investment. For a country to periodically grow significantly, it requires investment from overseas sources since the level of domestic investment may not be adequate enough to impart a boost to the overall productivity in any sector of the economy. In this connection, it is important to mention that a country need not be entirely dependent on foreign investment to push growth, it must be able to mobilize substantial domestic savings as well so as not to let the economy stay entirely hostage to the whims and caprices of foreign capital. What also needs to be mentioned is the fact that the nature of foreign capital is as important as the quantum of capital itself. If a certain investment is coming as Foreign Direct Investment which in the process brings in better technology, helps the cause of employment, sets up infrastructure, multiplies resources within, and above all, adds value to the overall economy of the host country, then it should be construed as beneficial. But if a transnational company behind the façade of infusing Foreign Direct Investment intends to bring in obsolete technology, mobilize resources locally (competing with the domestic enterprises), gives scant attention to employment with the sole aim of profiteering and making a quick exit whimsically, then it must be stopped at the entry stage itself. This is where the role of a regulator (euphemism for government) comes in. The portfolio investment through the Foreign Institutional Investors (FIIs) is particularly susceptible to these urges. The role of the FIIs leading to the flight of hot money and the speculative attacks on the various currencies were some of the major reasons for the crash of the "tiger" economies in the Southeast Asian region in 1997. However the above logic is not a one-way street as no individual or company would ever invest money in another country for a charity. There have to

be profits at the end of it all for him to give a thought to investment in the first place. Here the role of the host country and the regulator is to ensure a favourable level playing field by adopting fair norms and practices, in minimizing bureaucratic bottlenecks, giving tax exemptions, allowing reasonable repatriation of profits etc. This is because apparently it is the host country that requires the foreign capital than the other way around. Especially in this age of globalisation and the world getting increasingly more integrated, a nation's economy cannot remain isolated from the rest of the world. It has to be in sync with the international economic and financial trends. It has to chart trading relationships with other countries. With the General Agreement On Tariff And Trade (GATT) being replaced by the WTO in 1995, a global connection becomes all the more important in an increasingly multilateral trading world. The Philippines still being a developing country has all the right reasons to be on a strong trading pitch with the United States, the biggest economic and trading power currently. The US is an industrial giant with cutting edge technology in virtually every sphere possible, is one of the largest investors in R&D and forever chasing newer and higher technologies. And so a favourable equation with the US would do no harm to the Philippines.

However before dwelling upon the actual economic ties between the two players, it is essential that the term "economics" itself must be defined at the outset. Economics is defined as the study of how goods and services get produced and how they are distributed<sup>1</sup>. By goods and services, economists mean everything that can be bought and sold. By produced, they mean the processing and making of goods and services. By distributed, they mean the way goods and services are divided among the people. There are four main elements that make it possible for nations to produce goods and services. These elements called productive sources are: 1) natural resources 2) capital 3) labour force and 4) technology<sup>2</sup>. In this respect, though the Philippines might have all the elements to run its economy, it might not have them all always in adequate quantity.

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<sup>1</sup> The World Book of Encyclopedia, E. vol. 6, p.39.

<sup>2</sup> Ibid., p.40a.

Therefore it might require that extra bit of capital or that advanced piece of technology for a particular purpose which prompts it to forge a closer economic relationship with another country and who better than the United States itself to look forward to in this regard. The United States on the other hand with huge capital base and an excess of exportable surplus would require both investment opportunities for its capital and markets for its exports. All its excess of capital and exportable goods would go waste if not ploughed in the opportune place. So the logic of a trading and economic relationship is never tilted on one side, it stands on an almost even keel since both the partners require each other as much. According to James Mills' "Elements of Political Economy", the four processes, which underpin an economic activity, are Production, Distribution, Interchange and Consumption<sup>3</sup>, which again reinforce the salience of mutuality in an economic relationship.

As for the actual economic relations between the two, they share a long colonial history with the Philippines being the colonized and the United States being the colonizer. The granting of independence to the Philippines in 1946 though freed the Filipinos politically; economically this wasn't quite the case. In 1946, the US Congress passed the Philippine Trade Act which contained the so called "parity clause" and the thirty-three years arrangement<sup>4</sup> for the adjustment of free trade relations between the US and the Philippines. It was in that year when the Philippine Rehabilitation Act was passed which provided for the payment of war damages to the tune of \$620,000,000.<sup>5</sup> However the catch lay in the fact that the Rehabilitation Act clause would apply only when the Filipinos would approve the Philippine Trade Act. Under the title III, section 342 of the trade Act, the Philippine peso was tied to the American dollars and the Philippine monetary authority was barred from adjusting to the changing international monetary circumstances on its own<sup>6</sup>. The most controversial clause was section 341 which dealt with "parity". Under parity rights, the Americans and the

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<sup>3</sup> Collier's Encyclopedia, vol. 8, p.537.

<sup>4</sup> Abueva, Jose Voloso and De Guzman, Raul P, eds., *Foundations and Dynamics of Filipino Government and Politics*, p.496.

<sup>5</sup> Kaul Manmohini, *Philippines and Southeast Asia*, p.40.

<sup>6</sup> *Ibid.*, p.41.

Filipinos exercised equal rights in the exploitation and development of natural resources and in the operation of public utilities<sup>7</sup>. The President of the United States had retained the right to suspend the Philippine Trade Agreement in the event of his finding that Philippine government was discriminating against American citizens and American business enterprises. Do such provisions dictated by one superior country to another smaller country in any way indicate an iota of economic sovereignty? In fact the issue is as much about political sovereignty as about economic sovereignty. Not so surprisingly, the foundations of a partial free trade system were laid down much earlier in 1909 with the Philippine Tariff Act, which accompanied the passage of the Payne-Aldrich Tariff Act<sup>8</sup>. Though quota restrictions were placed on a number of Philippine products shipped to the US, the practical impact of such quotas was not significant. Except for rice, all Filipino exports (within the quota limits) were allowed to enter United States duty free. No quota limitations were placed on imports from the US to the Philippines. These imports also came in duty free. Some of these inequalities introduced by the above-mentioned Act were rectified by the Underwood-Simmons Tariff Act of 1913<sup>9</sup>, which freed sugar and tobacco from quota limitations restoring free trade fully. The transition period between the independence legislation i.e., the Tydings-McDuffe Act of 1934 and the actual independence was utilized for gradual disengagement from this free trade arrangement. Between 1928 and 1934, Philippine shipments to the US ranged from 75% to 87% of total annual value of all exports and the Philippines annually obtained between 62 and 65% of total imports by value from this country<sup>10</sup>. In the case of the islands' major exports sugar, the Philippines was wholly dependent on the protected American markets.

The Philippines suffered severe war damages and economic dislocation resulted as the economy was restructured from extreme dependence upon the US to a makeshift adaptation to serve the immediate interests of the

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<sup>7</sup> Kaul, n.5, p. 42.

<sup>8</sup> US Philippines Economic Relations, The Centre for Strategic and International Studies, p.35.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid., p.36.



Japanese war effort. At the end of the war, the economic system that had been worked out by the US a decade earlier had become irrelevant and had to be rescheduled. The shattered Philippine economy required extensive rehabilitation and the American Congress moved to provide a new legal framework for Philippine- American economic relations designed to ensure prompt economic reconstruction and to renew and extend the traditional period over which mutual trade preferences would be eliminated. It was in this background that the Philippine Rehabilitation Act and the Trade Act came about in 1946 underlining the degree of dependency that the Philippines had come to develop vis-à-vis the United States. The trade Act continued mutual free trade between the Philippines and the US until 1954, which postponed the disengagement of the two economies and promised to confine Philippine development to the pattern of raw material specialization, which had emerged during the colonial period<sup>11</sup>. This continuity is readily confirmed by mutual trade during 1946 through 1951 in which approximately three-fourths of all Philippine exports went to the US and two thirds of all Philippine imports originated in the country<sup>12</sup>. The pre-war commodity structure persisted: exports were concentrated in centrifugal sugar, copra, abca and other raw materials. Imports consisted chiefly of finished textiles; refined petroleum products, machinery, automobiles and other manufactured goods and processed food products. Though investment was concentrated in reconstructing war damaged facilities, the replenishment of trading inventories, real estate construction and opportunities on agriculture competed for new private capital. Large foreign exchange reserves and continuing programme of US disbursements made possible the prompt reconstruction of pre-war productive capacity. Despite this achievement, a formidable balance of payments crisis appeared in 1949-50<sup>13</sup>. This focused attention on the inability of the traditional economic structure –even when it was fully rehabilitated-to provide the foreign exchange requirements for Philippine development.

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<sup>11</sup> US Philippines Economic Relations, The Centre for Strategic and International Studies, p. 47.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid. , p.48.

Well, the reasons for the plight of the Philippine economy are not too far too seek nor too ambiguous to be explained. Despite the political independence, the Philippines were an economically dependent state within the overall imperial framework. Imperialism has one underlying strategy. It is to prevent its victim from relying on its own resources. The strategy lies in stifling the emergence of a condition that would enable its victims to pursue an autonomous course of development<sup>14</sup>. There are four fundamental principles that underline this - the first is the concept that an economy should open itself as much as possible to international trade and capital. It means an economy that places minimum restrictions on trade and capital transactions by maintaining a foreign exchange system that is substantially free from restrictions. The second concept is related to the first but it is concerned more specifically with the subject of foreign capital. It is premised on the theory that foreign investment is indispensable to economic development and that members of the third world should therefore liberally permit foreign enterprises into their country, preferably by giving foreign investors "national treatment". The third concept is the package of conceptual tools underlying the mechanics of imperialist exploitation is the notion that underdeveloped nations should scrupulously adhere to a monetary and fiscal austerity. This is a standard requirement imposed by the IMF. And the fourth is the concept that in an open economy which permits the unrestrained movement of capital out of a country, results in devaluing the currency rather than in subjecting the purchase and remittances of scarce foreign exchange to direct restrictions. When an underdeveloped country is persuaded to operate its economy on a free and open basis, it sets itself up for systematic exploitation by advanced and industrialized countries. The reason is simple. Such a country opens its economy to the unrestrained penetration of foreign goods and thereby becomes a captive markets for the products of foreign manufacturers. In addition an open economy permits the unlimited flight of capital in the form of profit remittances, repatriation and overseas investments made both by foreign residents and wealthy nationals. The exploitation of that country will be reflected in the perennial

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<sup>14</sup> Lichauco, Alejandro, *The Lichauco Paper: Imperialism in the Philippines*, p.20.

imbalance of its international account. It will consistently be importing more than it is exporting, particularly as its population expands. Also, it will be exporting more investment capital than it receives.

Coming back to the actual state of affairs, in no time, the situation further deteriorated and a mounting post-war deficit in the Philippine balance of payments and an alarming flight of capital prompted an imposition of exchange and import controls in 1950. An Economic Survey Mission was sent to the Philippines in 1950 upon the request of President Quirino known as the Bell Mission, named after its chairman, Daniel W. Bell<sup>15</sup>. It rendered a comprehensive report on the economic problems of the Philippines-inefficiency in production, the gross inequalities in wealth, the imbalance between prices and wages, between government expenditure and taxes, between production and need and suggested social and financial reforms such as Minimum Wages Law, and certain tax measures. It recommended that the US make loans and grants of \$250 million on the condition that the Philippine government would take steps to carry out the recommendations of the report<sup>16</sup>. This was to help the Filipinos help themselves. Under the impact of rigid import and exchange controls in 1950, there was a growth of import substitution industries and the stimulation of a native industrial sector. The controls slowly became an instrument to protect domestic manufacturers of consumer goods from foreign competition. On certain issues, the interests of the industrialists clashed with those of the agricultural exporters. The industrialists favoured a strong peso, which allowed them to import capital goods cheaply while keeping out imported consumer goods under the controls. The agro exporters would naturally favour a weak Peso dollar rate that would increase the peso earnings from their exports. Nevertheless the 1950s marked the emergence of national planning as more than an academic exercise. Though planning, particularly plan implementation was uneven and frequently interrupted, planners and policy makers promptly recognized that import and exchange controls were powerful instruments for restructuring the Philippine economy- and

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<sup>15</sup> Abueva, n.4, p.498.

<sup>16</sup> Ibid.

they used the controls to direct investment and income distribution in accordance with planned growth objectives.

It was during Magsaysay's term that the Philippine Trade Act was revised. Jose P Laurel headed the mission to the US and an agreement popularly known as the Laurel-Langley Agreement modified the terms of the Parity Act<sup>17</sup>. The Agreement made effective in 1956, gave the Philippine government control over its own currency, eliminated most of the absolute quotas and the allocation limitation on Philippine articles entering the US market, made "reciprocal" the enjoyment of parity rights by citizens of either country in the territory of the other, and likewise gave them the "reciprocal right" to engage in other business activities. These preferences were gradually reduced, however and finally terminated in 1974 with the expiration of the Laurel-Langley Agreement. A generous sugar import quota was granted by the United States and this carried with it the purchase at premium prices. The suspension of US imports from Cuba in 1960 led to an increase in the Philippine sugar quota from 700,000 to one million tonnes, the largest assigned to any nation<sup>18</sup>. The failure of the other countries to meet their quotas gave the Philippines further opportunities to sell sugar to the US facilitated by the lower duties on Philippine sugar under the Laurel-Langley Agreement.

In the meanwhile, the year 1962 saw the abrupt abandonment of foreign exchange controls by the Macapagal government.<sup>19</sup> These controls imposed in the wake of a balance of payment crisis in 1949, restricted the access of private firms to foreign credits. Their effort was to curtail imports of consumption goods in particular, setting the stage for import substitution. The abandonment of controls is sometimes attributed to the influence of the US and the IMF, but domestic policies appear to have played the final decisive role. A foreign exchange crisis in 1958 had been resolved through the imposition of a foreign exchange tax, in defiance of US and IMF pressures for decontrol and

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<sup>17</sup> Abueva, n.4, p. 498.

<sup>18</sup> Boyce, James k, *The Philippines: The Political Economy of Growth and Impoverishment in the Marcos Era*, p.179.

<sup>19</sup> Ibid p.253

devaluation, with the help of short-term commercial borrowings rather than IMF drawings. However decontrol and de facto devaluation of almost 100% (from 2.0 to 3.9 pesos per dollar), which accompanied the freeing of the foreign exchange market, however quickly won backing from the US government and the IMF in the form of a \$300 million stabilization package commitment.<sup>20</sup> On the other hand, since 1962 when the Philippines opened its economy through decontrol, it had accumulated a trade deficit of over \$1 billion.<sup>21</sup> Deficit in non-trade account, representing net capital flight by way of Profit remittances, capital withdrawals and investments by Filipinos overseas, had amounted to at least another \$1 billion. It meant that it would always be paying out more foreign exchange than it earned. Such a country also would never be able to industrialize and develop an indigenous productive capacity. It would forever be dependent on industrial countries for its supply of modern goods. When a country consistently disburses more than it earns in international transactions, it naturally runs out of foreign exchange. It is therefore compelled to borrow and becomes a perennial debtor. And the only sources from which it can borrow are generally the advanced countries and the international lending institutions such as the IMF and the World Bank, which these same advanced countries organized and which they controlled. Forced into the status of perpetual debtors, the underdeveloped countries are generally left with no choice but to accept the conditions attached to the loans that they came to need with deepening desperation. Invariably, four conditions are attached to the loans. One is that the debtor-applicant should continue to run its economy on an open basis, meaning that there would be no restrictions on its imports as well as on flight of capital from its jurisdiction. The second is that the debtor-applicant encourages foreign investments as a factor necessary to the development of its economy. However, the irony is that the foreign firms that control the economy are not really foreign investors. Most of these are subsidiaries of international companies. All they do is to incorporate with a few prominent Filipinos to have them grace the board of directors with some amount

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<sup>20</sup> Boyce, n.18, p.253.

<sup>21</sup> Lichauco, n.14 p.24.

of equity participation besides bringing in elementary equipment with a minimal dollar value and securing loans from Philippine banks, insurance companies and even State Credit institutions----- A survey of 108 US firms operating in Philippines from 1956 to 1965 showed capital expenditure of \$489.7 million; Of this only \$79.4 million (16%) came from outside, the rest (84%) was generated locally.<sup>22</sup> So foreign investors raise their capital requirements from domestic savings and credit institutions, thereby competing with Filipino businessmen from the scarce credit resources of the country (the giant Ford enterprises was denounced on the floor of Congress for borrowing 30-40 million pesos from a local syndicate of commercial banks while registering only 100,000 pesos as paid-up capital).<sup>23</sup> The third condition attached to the loans is that the debtor-applicant pursues a policy of monetary and fiscal stringency. And the fourth in cases requiring drastic measures to rectify a chronic imbalance in its international reserves it should devalue the currency.

With the rise of Ferdinand Marcos to power, the Philippine political system underwent a dramatic shift having a direct impact on the economy as well as the foreign policy dimensions. In the two decades of Marcos' rule, the Philippine economic development had three central pillars - the first was a "green revolution" in rice agriculture, which successfully doubled the production of the country's basic food staple. Rice was and still is the country's single most important crop. It is especially important to the country's poor majority as both consumers and producers. The technological key in the green revolution strategy is the introduction of HYVs (High Yielding Varieties). The second pillar of economic development during Marcos' rule was a continued reliance on export agriculture as a major source of income and foreign exchange earnings. The third was large-scale borrowings from foreign banks and official lenders. A balance of payments crisis in 1970 foreshadowed the inevitable turning point at which debt service payments surpass the inflow of new money and the net transfer turns negative. This premonition was temporarily exorcised, however by

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<sup>22</sup> Lichauco, n. 14, p.28.

<sup>23</sup> Ibid

means of fresh lending unlocked by an IMF adjustment programme-External borrowing then accelerated greatly in the 1970s as the Philippines pursued a development strategy of “debt-led growth”. For sometime, the country was able to live ‘beyond its means’, thanks to a net positive transfer of external resources. The balance of payment crisis of 1970 prompted the government turning to the IMF and a \$27.5 million IMF stand-by loan was arranged.<sup>24</sup> However this was attached with three conditions-firstly the government had to float the peso and devalue it. Secondly, the government agreed to adopt policies to promote non-traditional exports and thirdly, a consortium of aid donors chaired by the World Bank had to be formed. The first oil shock only compounded the crisis with the oil import bill shooting from \$187 million in 1973 up to a staggering \$2 billion by 1982.<sup>25</sup> Moreover, with the preferential access to the US market ending in 1974 (as laid down by the Laurel-Langley Agreement), the Philippine sugar was suddenly thrust on to the world “free” market, by the unprecedented high prices prevailing at that time. Forced on to the free market, the Philippines diversified the destination of its sugar exports. Whereas virtually all-Philippine sugar exports had gone to US prior to 1974, the US share had fallen to 25% by 1980.<sup>26</sup> New buyers included Japan and the then centrally planned economies. Philippine sugar exports nevertheless dropped from 1.5 million tonnes in 1974 to 570,000 tonnes in 1985. With the accompanying decline in sugar prices, real earnings plummeted by 87%.<sup>27</sup> The Philippine sugar industry was plunged into the worst crisis in its history, and reports of starvation among sugar plantation workers on the island of Negros began to reach the world. The provisions under the Export Incentive Act of 1970 such as giving of subsidies and tax exemptions to companies exporting more than 50% of their production besides the devaluation of the peso seemed to have no impact whatsoever.<sup>28</sup> The reintroduction of sugar quotas in the US in 1982 brought little relief. Quotas were allocated among exporting countries on the

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<sup>24</sup> Boyce, n.18, p.254

<sup>25</sup> Ibid.

<sup>26</sup> Ibid. , p.180

<sup>27</sup> Ibid

<sup>28</sup> Tongzon, Jose L., *The Economics of Southeast Asia: The Growth and Development of ASEAN Economies*, p.54

basis of their shares of the US market from 1975 to 1981, and the Philippine quota was roughly one quarter of what it had been prior to 1974.<sup>29</sup> Nevertheless, this market was as the US embassy in Manila cabled to Washington in 1984, “very important” to Philippine producers, ‘being the only export market in which they can sell their sugar for more than their cost of production’. Besides trade, US government provided \$3 billion in economic and military assistance to the Philippines. In the same period, the World Bank had lent \$4 billion to the Philippine government.<sup>30</sup> However, the magnitude of the Philippine development strategy’s failure can be appreciated by comparisons with neighbouring countries. In 1962, per capita income in the Philippines was comparable to Taiwan and one quarter of that in Japan. In 1986, it was one seventh of Taiwan’s and three percent of Japan. The Philippines’ external debt rose from \$360 million in 1962 to \$28.3 billion in 1986, making it one of the most heavily indebted countries.<sup>31</sup> However such drastic decline cannot be solely attributed to the economic ties with the United States. There are myriad other factors such as policy decisions, internal infrastructure, natural resources, work culture etc. that contributes to the rise and fall of an economy. All the same, this can’t deny the fact that the linkages with the United States do play a substantial role in the functioning of Philippine economy.

Riding on the unpopularity wave of the Marcos regime and the inability of the government to stem the growing economic woes, Corazano Aquino’s tenure was loaded with promises and prospects.

According to the fundamentals of economics, an economy undergoes a typical boom-bust cycles of growth and decline. A few years of moderate economic growth are followed by shortages of foreign exchange, making it necessary to cut back on government spending and contract money supply, thus halting the growth episode. A period of partial adjustment follows, and the growth cycle resumes once the foreign exchange constraint is eased, with the government typically feeling freer to resort to deficit spending. As a result, growth episodes have closely followed a periodization according to major

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<sup>29</sup> Boyce, n.18, p.180

<sup>30</sup> Ibid. p.1

<sup>31</sup> Ibid.p.10



balance of payment crisis. Under the Aquino government in 1987-89, economic growth had begun to recover, led initially by deficit financing for rural public works and reviving consumption, then gradually by investment. GDP growth in this period was as high as 5.8%.<sup>32</sup> So the Aquino government enjoyed considerable policy success in the areas of tax reform, dismantling monopolies for coconut and sugar, ending price controls and export taxes on agricultural goods, and deregulated exchange and interest rates. However, the attempted coup d'etat in late 1989 again shook investor's confidence precipitating the growth's fall to 3% in 1990.<sup>33</sup> The Gulf war in 1991 raised oil prices and further bloated the trade deficit.

With the end of the cold war coinciding with the withdrawal of the American bases from the Philippines, it was incumbent on the Philippine government to have a relook at its foreign policy dimensions and the economic expediency. It for the time being implied that the Philippines could diversify its economic channels and could no longer be entirely dependent on the United States. Though a number of important initiatives are traceable to the latter years of Aquino's Presidency, it had been during the Ramos administration that new perceptions of the Philippines' place in the world combined with new leadership to produce major goals for the wholesale transformation of the political economy had emerged. The Persian Gulf War in 1990-91 damaged the economy, dampening tourism and leading to the loss of overseas contract workers' remittances (in 1990, these two accounted for some \$2.6 billion). Some 60,000 Filipinos had been working in Iraq and Kuwait.<sup>34</sup> The Philippines also forfeited a major source of foreign exchange, \$480 million a year, when negotiations with the United States over the cost of leasing its Clark and Subic Bay bases collapsed.<sup>35</sup> However, active Taiwanese recruitment of Filipino workers, mostly in construction, partly offset these losses. When Ramos came to power, right

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<sup>32</sup> Timberman, David G., ed., *The Philippines: New Directions in Domestic policy and Foreign Relations*, p.50

<sup>33</sup> Ibid

<sup>34</sup> Bowie, Alasdair and Unger, Danny, *The politics of open Economies: Indonesia, Malaysia, the Philippines and Thailand*, p.121

<sup>35</sup> Ibid

from the start, he displayed a keen sense of understanding and foresight as to what the needs of the economy were in the immediate context. After the 1991-92 recession, in one of the most significant accomplishments, the Ramos administration managed to maintain a consistent budget surplus. This was done through a combination of different means- first, by keeping the growth of government expenditure in line with the overall growth of the economy; second by a reliance on build-operate-transfer schemas to implement significant infrastructure; and third, by an active resort to raising non-tax revenues; primarily in the form of proceeds from privatisation. The result was a slowing down of the growth of the internal debt and a reduction of internal debt-service. So, he expressed a clear sense of his country's weakness as a competitor in the international and regional economies. Basically, he realized the political dominance of the oligarchic groups, which was "the reason why the Philippines has lagged so far behind the East Asian Tigers". Indeed the Philippine political economy has long favoured the interests of major families at the cost of national developmental objectives. So, perhaps the boldest initiative of the Ramos administration has been its attacks on the so-called cartels and monopolies of major oligarchic family firms that have long held a stranglehold over key segments of the national economy. The attacks on cartels and monopolies were part of a larger programme undertaken by the Ramos administration under the banner of Philippines2000-a rallying cry for the country to join the ranks of the newly industrializing countries (NICs) by the end of the century. Economic diversification and a system of interlocking directorates stifled competition in the Philippine market. For example, a 1992 World Bank study found that six agri-business conglomerates controlled roughly 80% of the commercial poultry market, as well as 60% of the commercial feed market and 40% of the commercial pig market.<sup>36</sup> Besides these, the focus of Ramos' campaign had been the Philippine Long Distance Telephone Company (PLDT), although banking,

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<sup>36</sup> Jeffrey Riedinger, "The Philippines in 1993: Halting Steps Towards Liberalization," *Asian Survey*, vol.34., no.2, Feb. 1994, p.143.

cement, inter island shipping and rice were also targeted.<sup>37</sup> The effective deregulation of the telecommunications market mandated interconnections among networks requiring international gateway operators and cellular telephone companies to offer regular telephone service in urban and rural markets. Four competing telecommunication firms had emerged- each involving a combination of Filipino and foreign investors. This momentum of reforms was sustained with the deregulation of inter island shipping (1993), domestic passenger and cargo airlines (1993) and banking (1994) following in quick succession.<sup>38</sup> In order to address the problem of lower tax collection, the Ramos government launched a vigorous tax enforcement campaign especially targeting leading business figures, most notably beer and tobacco mogul Lucio Tan whose Fortune Tobacco company stood accused of evading billion pesos in taxes since 1986.<sup>39</sup> At the same time, the government's tax planners hoped to rally some middle class support for the entire tax reform package by including more generous deductions for individual income tax payers to offset the income bracket creep caused by inflation. In addition, under pressure from the World Bank and the IMF, the Philippine legislature in June 1993 established the Bangko Sentral ng Pilipinas, a new central monetary authority replacing its predecessor, the Central Bank of the Philippines.<sup>40</sup> The considerable liabilities of the earlier bank were to be retired over the next quarter century. As for investments, the Congress in 1991 itself (during the last year of the Aquino administration) passed an unprecedented liberal foreign investment, law removing minimum nationality requirements in virtually all sectors of the economy. In particular, the foreign investments law adopted a 'negative - list' approach, specifying only those sectors where full foreign ownership was not allowed, implicitly allowing 100% foreign ownership everywhere else. The newly elected Ramos government carried it forward in April 1992 lifting a large number of foreign exchange restrictions in the entry and repatriation of foreign funds. It played a large role in stimulating inflows of both

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<sup>37</sup> Jeffrey, n. 36, p. 144.

<sup>38</sup> Timberman, n.32, p.63

<sup>39</sup> Riedinger, n.36, p. 142

<sup>40</sup> Ibid.143

direct and portfolio foreign investments in the country. The effect was to increase the number of actors in privatisation efforts and to encourage alliance between foreign investors and large domestic interests. Reflecting the importance of foreign investment, foreign savings (i.e. foreign investment plus foreign loans) had constituted an increasing part of total investments, rising from 18% in 1991 to 34% by 1995.<sup>41</sup>

Most importantly, Ramos also realized the need for finding alternatives to the US in terms of trading and economic interests. Since taking office, he turned his attention to regional trading partners visiting Brunei, China, Indonesia, Japan, Malaysia, Singapore, South Korea and Thailand in his quest to improve economic ties and encourage foreign investment. The spirit of liberal trade and investment regime is evident from the fact that in no time, the country became a member of the APEC (in Nov. 1989), GATT-WTO and obviously acceded to the ASEAN Free Trade Area (AFTA). In the case of AFTA, the Philippine government was caught up in a programme of liberalization within the region where- for both economic and political reasons- it could not afford to be an outsider. The formation of AFTA in 1990 was initially thrust on ASEAN leaders by the lack of progress in the GATT Uruguay Round, the formation of the North African Free Trade Agreement (NAFTA) and the impending completion of the European single market. Incidentally, the formation of FTAs especially the NAFTA also led to the Philippines losing some export market to the other members of the NAFTA. On the other hand, US initiated Enterprise for Association of South east Asian Nations Initiative (EAI) aims at enhancing trade and economic ties with the ASEAN countries. It offers the prospects of bilateral FTAs between the US and ASEAN countries that would increase trade and investment and tie the two economies and futures more closely together.<sup>42</sup> The Philippines widened its options by forming a growth area linking Mindanao with Indonesia's Sulawesi and Malaysia's Sabah.<sup>43</sup> However it seems to be a natural course of events that whenever a government is an all-out drive to introduce

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<sup>41</sup> Timberman, n.32, p.64

<sup>42</sup> <http://www.aseansec.org/4810.htm>

<sup>43</sup> Timberman, n.32,p.27

reforms (which apparently may seem to hurt the middle class in the immediate run), there would be some opposition. In this case in Feb 1994, the announcement of a 22% increase in fuel prices dragged the government to the court.<sup>44</sup> This led to the revocation of the price increase. This in turn elicited an adverse response from the IMF which cancelled negotiations aimed at providing the Philippines with a \$650 million credit facility.<sup>45</sup> The IMF's 1994 approval of the Philippines' three-year economic programme had been contingent on the state securing additional revenue. This points to the interconnectedness of the world economy and the dependence of the Philippines on the financial institutions, which are primarily dominated by the United States.

Nevertheless, in the backdrop of such deep and wide-ranging reforms ushered in by the Aquino and especially the Ramos government, after a slow start, President Estrada and his cabinet continued with and expanded liberalization and market based policies and reforms. President Estrada tried to resist protectionist measures by introducing important laws in order to legally institutionalise the ongoing reforms. There were laws put in place to strengthen regulation and supervision of the banking system (General Banking Act) and securities markets (Securities Regulation Code), to liberalize foreign participation in the retail trade sector and to promote and regulate electronic commerce during his abbreviated term.<sup>46</sup> Efforts to reform the constitution to encourage foreign investment, particularly foreign ownership of land, were abandoned amidst nationalist opposition. However, initial optimism about prospects for economic reform also had dimmed amid concerns of governmental corruption. In 1999, militant peasant organizations exposed the collusion between the IMF and the US government in getting the Philippine government totally liberalizes rice imports. This was in reaction to Estrada's commitment to the IMF a pledge to tie domestic rice supplies to liberalized importation by private firms as part of the Memorandum of Economic and Financial Programme (MEEP) and a two-year

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<sup>44</sup> Bowie, n.34, p.126

<sup>45</sup> Ibid.

<sup>46</sup> <http://www.state.gov/p/eap/ci/rp/>

stand-by loan facility.<sup>47</sup> Under the NEEP, quantitative restrictions (QRs) would be abolished and grain exports would be charged with tariffs three years even before the country's deadline to the WTO. Besides, US \$1.4 billion stand-by loan facility also compelled the Philippine government to later on import other agricultural products under the minimum access volume commitment to the WTO even if Filipino consumers had no use for these surpluses. The peasant movement debunked the illusion that loan provided under US Public Law 480 and section 10 of the agriculture and Fisheries Modernization Act as an aid to Filipino farmers.<sup>48</sup> Earlier in 1998, \$10 million worth of soybean meal had entered the country and being a corn substitute had driven hundreds of peasants in Mindanao into bankruptcy.<sup>49</sup> Scandals involving the Philippine Stock Exchange and the President's close ties to certain businessmen shook the investors and the business community ultimately leading to successful efforts to impeach and remove President Estrada. With the accession of Gloria Macapagal Arroyo as the President of the Philippines, both the Philippine economy and the relationship with the Americans have received a new momentum. President Arroyo has made considerable progress in restoring macro-economic stability with the help of a well-regarded economic team.

There have been dramatic changes in the Philippines' economic and trading profile since GATT evolved into WTO. The WTO intends to bring about tariff free, quota free multilateral trading regime in which every member country has an equal opportunity to advance its commercial interests. The WTO rules to govern international trade seem to serve at least three purposes-Firstly, they protect the welfare of small and weak nations against discriminatory trade policy actions of the large and powerful nations. GATT Articles I (MFN) and III (national treatment) premise that all WTO members will be given the same conditions of access to a particular country's market as the MFN and all foreign supplies will be treated the same as domestic suppliers. Secondly, large economies have the potential to exploit their monopoly power by taxing their

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<sup>47</sup> <http://www.aidc.org.za/?q=book/view/122>

<sup>48</sup> <http://www.aidc.org.za/?q=book/view/122>

<sup>49</sup> <http://www.aidc.org.za/?q=book/view/122>

trade, but according to strict trade theory, that this makes the rest of the world worse off. This underlines the value of agreeing not to raise trade barriers and instead agreeing to “bind” them in a tariff schedule at specified ceiling levels. The third and most important contribution of multilateral rules disciplining trade policy is that they can help governments ward off domestic interest groups seeking special favour.<sup>50</sup> As far as the Philippines is concerned, its primary export commodities are machinery and transport equipment (which accounted for 40% of total exports in 2002), electronic products destined for the computer and related industries and most obviously agricultural products like rice, coconuts, sugar, etc. however with the passage of time, the commodity composition of the Philippines’ export trade has been transformed since the 1970s, when four primary commodities-coconut products, sugar, timber and copper accounted for about one half of the total.<sup>51</sup> The general decline in world prices of these commodities and/or the fall in the volume of production coincided with the development of the export manufacturing sector, and the diversification of agricultural production, with the result that in 2003, the four traditional exports accounted for only 3% of the total, while manufacturers accounted for 89%. One category alone, electrical and electronic components and equipment accounted for 66% of all export earnings in 2003.<sup>52</sup> This implies a significant move forward as an agriculture based economy is in the process of turning into a manufacturing led economy indicating the positive impact of the multilateral trading order put in by the WTO. Off late, trade liberalization under the WTO since Doha 2001 has been a big net plus for the Philippines, fuelling surge in exports rather than imports. The acceleration in exports created thousands of lucrative jobs in the Philippines. The Philippines Economic Zone Authority estimates that slightly more than 400,000 jobs were created through the country’s export processing zones alone (that includes both direct and indirect employment from 1995 to 2001).<sup>53</sup> However, all is not that well since the developed countries led by US, EU and Japan give a

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<sup>50</sup> Anderson, kym, “Globalization, WTO and ASEAN,” *ASEAN Economic Bulletin*, vol.18,no.1, p.17

<sup>51</sup> The Europa World Year Book 2004, vol. II, p.3421

<sup>52</sup> Ibid.

<sup>53</sup> [http://www.gov.ph/cat\\_economy/default.asp](http://www.gov.ph/cat_economy/default.asp)

good deal of subsidies on their agricultural products which renders the products from the developing countries increasingly uncompetitive and Philippines too loses out on this score.

As for the bilateral trading relationship between the Philippines and the US, two-way trade with the Philippines amounts to nearly \$20 billion.<sup>54</sup> The robustness of their ties is reflected in the fact that some 19% of Philippines' imports in 2002 came from US, and about one-fourth of its exports were bound for the US. The Philippines rank as US' 19<sup>th</sup> largest export market and 20<sup>th</sup> largest supplier. Key exports to the US are semi-conductor devices, computer peripherals, automotive parts, electrical machinery, textiles and garments and coconut oil. As for the imports, they include raw and semi-processed material for manufacture of semi-conductors, electronics and electrical machinery, transport equipment and cereals and cereals preparations. As for a comparison with the past, it would be worthwhile to mention that while the value of import trade between the Philippines and the US was 2626 million dollars in 1992, it rose to 4989 million dollars by 2001. For the exports, while the value of trade was 3843 million dollars in 1992, it shot up to 8980 million dollars in 2001.<sup>55</sup> This underlines the element of continuity in the trading ties between the two. Coming to investments, the US traditionally has been the Philippines' largest foreign investor, with about \$3.3 billion in estimated investment comprising 22% of the Philippines' foreign direct investment stock.<sup>56</sup> Since the late 1980s, the Philippines have committed itself to reforms that encourage foreign investment as a basis for economic development, subject to certain restrictions and guidelines in certain areas. Besides, the Philippines is the sixth largest beneficiary of US General System of Preferences for developing countries which provide duty-free access to the US market.<sup>57</sup> GSP beneficiaries included not only large exporters of electronics products, but also Filipino workers in furniture manufacturing, handicrafts and automotive industries.

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<sup>54</sup> <http://www.ops.gov.ph/usvisit2001/speeches.htm>

<sup>55</sup> Statistical Yearbook for Asia and the Pacific 2002, Pub. by Economic and Social Commission for Asia and the Pacific, United Nations.

<sup>56</sup> <http://www.whitehouse.gov/news/releases/2003/02/2003020-9.html>

<sup>57</sup> <http://www.ops.gov.ph>



As for the internal economy, the Philippines was less severely affected by the Asian financial crisis than its neighbours, aided in part by remittances of more than \$ 7 billion annually by overseas workers.<sup>58</sup> The policy responses to prices in the mid-1980s and early 1990s particularly in external debt management and banking policies, helped contain the build-up of imbalances and manage the crisis as it unfolded. However unlike in previous crises, external debt service wasn't interrupted and the domestic banking and corporate sectors-while showing signs of stress- were able to withstand severe external shocks better than in the past. Despite the Asian crisis, 38 new electronics companies were registered during 1998, at a total project cost of P15 billion, bringing the total number of companies to 462. Of these, 138 were Philippine, 133 Japanese, 46 Korean, 39 American (accounting for about 70% of exports) and 20 Taiwanese.<sup>59</sup> On the other hand it was in 1998, when drought and weather related disturbances pulled down agricultural harvests, combining with the contraction in the industrial sector production- real GDP has recorded positive growth year-on year.

**Major Economic Indicators, Philippines, 1999-2003(%)<sup>60</sup>**

ITEM	1999	2000	2001	2002	2003
GDP Growth	3.4	4.0	3.4	4.0	4.5
Gross Domestic Investment / GNP	17.8	16.9	16.6	18.0	18.5
Gross National Savings / GNP	18.7	21.0	22.1	20.0	19.5
Inflation Rate (Consumer Price Index)	6.7	4.4	6.1	5.0	6.0
Money Supply (M3) growth	19.3	4.6	6.8	10.0	11.0
Fiscal Balance / GNP	-3.6	-3.8	-3.8	-3.2	-3.0
Merchandise export growth	19.1	9.0	-16.2	3.0	6.0

<sup>58</sup> <http://www.gov.ph>

<sup>59</sup> Occasional Paper 187, Philippines: Toward Sustainable and Rapid Growth-Recent Development and the Agenda Ahead, pub. by IMF.

<sup>60</sup> Asian Development Outlook 2002, Special Chapter, Preferential Trade Agreements in Asia And the Pacific, Published for the Asian Development Bank by the Oxford University Press.

Merchandise Import Growth	4.2	3.8	-6.2	2.5	4.0
Current Account Balance / GNP	9.2	10.7	6.0	2.0	1.5
Debt Service Ratio	13.4	12.7	16.4	15.0	15.0

The global economic demand slowdown combined with softer prices of resource based commodities depressed export performance in 2001. Though less severely affected than its neighbours, the Philippines' banking sector wasn't spared from high interest rates and non-performing loan levels, during the Asian financial crises and its aftermath. Increases in minimum capitalization requirements, increasing loan-loss provisions and generally healthy capital-adequacy ratios have helped temper systematic risks. Nevertheless, the burden of rising NPAs have squeezed profit margins and inhibited bank lending, posing risks to the longer term viability and the stability of the banking system. Nevertheless, during the last few years, the relatively closed Philippine economy has been opened significantly by foreign exchange deregulation, foreign investment and banking liberalization and tariff and market barriers reduction. In addition, foreign entry into the retail trade sector has been liberalized with S&R Price as the first foreign company to enter the Philippine retailing market.<sup>61</sup> The government also enacted the Electrical Power Industry Reform Act of 2001, which aims to restructure the Philippine electrical power industry and privatise the National Power Corporation (NPC or Napocor).<sup>62</sup> This legislation presents opportunities for US firms to participate in the power industry in the Philippines.

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<sup>61</sup> <http://www.state.gov>

<sup>62</sup> <http://www.state.gov>

## GROWTH OF OUTPUT<sup>63</sup>

GDP Average Annual % growth		Agriculture Average Annual % Growth		Industry Total Average Annual % Growth		Industry Manufacturing Average Annual % Growth		Services Average Annual % Growth	
1980-90	1990-2002	1980-90	1990-2002	1980-90	1990-2002	1980-90	1990-2002	1980-90	1990-2002
1.0	3.5	1.0	2.0	-0.9	3.5	0.2	3.1	2.8	4.2

In the aftermath of the banning of opium/poppy cultivation by the Taliban and the shifting of drug production from Afghanistan to the Golden Triangle on the border between Myanmar and Thailand, the Philippines was to play a major role in the revival of the illegal narcotics trade due to its geographical proximity. According to UN Drug Control Programme (UNDCP), the Golden Triangle has produced an average annual 1358 metric tonnes over the past five years.<sup>64</sup> Central to the Far East narco-economy happens to be the Philippines, a key base of the covert American drug empire. According to the IMF and other credible sources, criminal money laundering is a \$1 trillion global industry. At least, \$300-600 billion per year flows through the US financial system.<sup>65</sup> As James Petras writes, “the scale, scope and timeframe of transfers and money laundering, the centrality of the biggest banking enterprises and the complicity of the government, strongly suggests that the dynamics of growth and stagnation, empire and recolonization are intimately related to a new form of capitalism built around pillage, criminality, corruption and complicity”. The Philippines is a major transit route for heroin from the Golden triangle to markets in Taiwan, Hong Kong, Japan and the US. According to the CIA World Fact Book, the Philippines exports locally produced marijuana and hashish to East Asia, the US and other western markets. The country serves as a transit point for heroin and crystal methamphetamine, or “shabu”. The US State Department’s 1999 International Narcotics Control Strategy Report identifies the Philippines as

<sup>63</sup> 2004, World Development Indicators, Pub. by The World Bank.

<sup>64</sup> [http://www.onlinejournal.com/special\\_reports/072705chin/072705chin.html](http://www.onlinejournal.com/special_reports/072705chin/072705chin.html)

<sup>65</sup> [http://www.onlinejournal.com/special\\_reports/072705chin/072705chin.html](http://www.onlinejournal.com/special_reports/072705chin/072705chin.html)

a “country of concern” because of its rising crime, pervasive corruption, strict bank secrecy laws and lack of legislation against money laundering.<sup>66</sup> The drug trade accounts for some 8% of the Nation’s GNP. In this respect, it is important to mention that when the Paris based Financial Action Task Force<sup>67</sup> (FATF- an independent offshoot of the 29-member Organization for Economic Cooperation and Development) threatened sanctions for not enacting long awaited reform legislation such as Anti -Money Laundering law, a closer ties between the Bush and Arroyo administration was reaffirmed which may not really have been a coincidence.

Any discussion on the economic association between the Philippines and the US would be meaningless without a reference to the bases which had been the lynchpin of the bilateral relationship for forty odd years. The impact of the Americans lingered on the bases even after their opting out of them. They had a substantial role in the conversion of military bases into flourishing economic units, which further gave an impetus to the Philippine economy. A Legislative Executive Bases Council (LEBC)<sup>68</sup> was created to formulate a comprehensive programme to convert former facilities into alternative productive civilian uses. The LEBC mapped out the following alternatives: In Subic Naval Base, Filipinos could build and repair ships and other transport equipment, utensils, hand tools and even pre-fabricated housing. The huge jungle area of Subic could become a national park with its natural resources and wild creatures. Camp John Hay (a recreational USAF base in the Philippine mountains) would be converted into a tourist area. San Miguel Communications Station would be converted into a national and international communications enterprise, greatly contributing to the upgrading of the Philippine telecommunications network. The estimated implementation cost of the programme was P158.5 billion for a ten-year period. The Bases Conversion Development Authority (BCDA) came into being by virtue of Republic Act No. 7227 in order to implement these proposals.<sup>69</sup>

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<sup>66</sup> [http://www.onlinejournal.com/special\\_reports/072705chin/072705chin.html](http://www.onlinejournal.com/special_reports/072705chin/072705chin.html)

<sup>67</sup> <http://us.politinfo.com/infodesk/countryfacts/rp.htm/#issues>

<sup>68</sup> <http://www.news.ops.gov.ph>

<sup>69</sup> <http://www.news.ops.gov.ph>

Today the Subic has become the country's first Freeport, hosting more than 170 companies dealing in manufacturing, retail, warehousing, transshipment, recreation and tourism. Next to Philippine firms, most of the investors are from Taiwan followed by the US and Europe. A number of factors account for Subic's turnaround. The Americans left good infrastructure, including one of the best airstrips in Asia, Subic also had an excellent deep-water harbour, reliable power and communication facilities. The workers in the area are skilled, English speaking and adaptive. The Clark Air Base, which went through the volcanic eruptions of Mt. Pinatubo, is also catching up. Today, the former airbase renamed as Clark Special Economic Zone has been rehabilitated with a power plant and telecommunications facilities. Offered incentives such as duty-free importation and waived local and national taxes, have spurred the local and foreign businesses setting up shop with investments reaching extraordinary heights. Most of these are industrial and commercial ventures, apart from aviation-related and tourism projects. So the bottom line is that such massive turnaround within such a short span of time was possible only because of the infrastructural legacies left by the Americans.

USAID is another institution, which reinforces not only the economic ties between the US and the Philippines but reflects an all-inclusive relationship. USAID/Philippines' bilateral programme in collaboration with USAID's regional "Accelerating Economic Recovery in Asia" (AERA) programme, supports the Government of the Philippines' efforts to further liberalize trade and strengthen financial sector governance.<sup>70</sup> The synergy of USAID's bilateral programme with AERA has been especially notable in strengthening banking supervision and in the anti-corruption campaign. This support has broad impact through the Philippines' more informed participation in regional fora, the Association of South East Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation, contributing to the overall liberalization trend in the region. Liberalization also offers the prospect of broader access to the Philippine domestic market of 73 million people and the possibility of creating

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<sup>70</sup> [http://www.usaid.gov/locations/asia\\_near\\_east/countries/philippines/](http://www.usaid.gov/locations/asia_near_east/countries/philippines/)

more export oriented jobs in America.<sup>71</sup> USAID assistance will play a critical role in achieving these goals of improving access and fostering growth by promoting greater financial market stability, enhancing economic competitiveness, improving economic governance, fostering broad-based judicial reform, accelerating infrastructure development, encouraging the adoption of stronger labour standards in the manufacturing sector and focusing increased attention on the economic consequences of a population growth rate that is one of the highest in Asia, and of unsustainable natural resources use. USAID/Philippines has adopted an approach that is strongly rooted in a sound understanding of USAID's comparative advantage, builds on potential for synergy within the Mission's portfolio and takes advantage of opportunities for increased collaboration with the Government of the Philippines.

Hence in a nutshell, the economic connectedness between the Philippines and the US is an all-encompassing tie-up that includes not only trade but also various other components such as aid, grants, finance, investment etc. However, this relationship can never be taken as in itself per se since economics is inextricably linked with other variables such as security, the political set up, the socio-cultural set-ups and last but not the least, the prevailing currents of international relations.

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<sup>71</sup> [http://www.usaid.gov/locations/asia\\_near\\_east/countries/philippines/](http://www.usaid.gov/locations/asia_near_east/countries/philippines/)

## CHAPTER-IV

### ARROYO'S INITIATIVES AND THE PHILIPPINES TODAY

Towards the end of the year 2000 and the beginning of 2001 marked another defining moment for Republic of the Philippines witnessing the triumph of the “people’s power”. The presidency of Estrada plagued with scandals and scams had to give way to the government of Ms. Gloria Macapagal Arroyo whose accession to power was a refreshing departure from the movie star Estrada’s rustic, ignorant, dissolute and corruption-tainted rule. In contrast, Ms. Arroyo as a trained economist at the George Town University with the ability to grasp the complexities of politico-economic dynamics was the perfect candidate to pull the Philippines out of its miseries. The recession of 2000-2001 had a telling impact on the Philippine economy and the people in general warmly welcomed the new President. Aware of the huge expectations from her, Ms. Arroyo gave all the right signals at her inaugural address affirming that it was indeed a ‘a time to heal and a time to build’<sup>1</sup>. This signified the fact that the new President was not only keen on rebuilding the Philippine economy from the rubble of the recession but also envisaged some sort of national reconciliation by rallying together different factions across socio-economic and political spectrum. On the foreign policy front, the new President indicated that she would in all earnestness advance the Philippines’ national interests without compromising in any way with the sovereignty of the country. However, what is noteworthy is the fact that the special relationship with special friends like the US would also be kept alive while at the same time opening up new channels to regional organizations such as the ASEAN.

Coming first to her internal policy statements, the new President set herself the target of hundred days within which certain tasks had to be accomplished. In her inaugural address as the 14<sup>th</sup> President of the Republic of the Philippines on June 20<sup>th</sup> 2001, she charted out her anti-poverty campaign

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<sup>1</sup> [http://www.gov.ph/sona/executive\\_summary.htm](http://www.gov.ph/sona/executive_summary.htm)

under four pillars<sup>2</sup>-an economic philosophy of the free enterprise appropriate to the twenty-first century, a modernized agricultural sector founded on social equity, a social bias towards the disadvantaged to balance economic development, and good governance to build confidence in the nation and channel resources to the poor. Upon taking office, she proceeded to implement a 100-day programme<sup>3</sup>, designed to win the confidence of the nation and the world, stabilize and revive the economy and lay the foundations for eradicating the biggest scourge afflicting the great majority of citizens: poverty. The First Hundred Days Agenda espoused seven leading tenets to be implemented: ethical standards in public service, poverty focus, results orientation, human capital as a strategic resources, subsidiarity (or devaluation of power), partnership with civil society and resolving armed conflict. This was an ideal way to start in the backdrop of scandal-ridden predecessors stoking the EDSA revolution, catapulting her to the exalted heights of power, which marked the reaffirmation of the “sovereign will of the people”. This very manner of rising to the glorious sat of presidency had placed Ms. Arroyo in a position where she had to deliver, and deliver instantly. After hundred days, all seven leading principles had infused many aspects and accomplishments of government, including the Medium Term Philippine Development Plan. There were also 13 impact projects or policy initiatives, from addressing the coconut levy controversy in favour of small farmers, to taking urgent steps to alleviate traffic and garbage problems. Some of her priorities included enhancing the public’s communications system with the office of the President, creating a public advisory committee, peace talks, cheap medicine, right to information, an employment summit, consensus building and youth consultations. In order to ensure the accessibility of the administrative system to one and all, the Text GMA cellphone texting project was launched to promote access by the citizenry to the office of the President and to set an example of a transparent and responsive government<sup>4</sup>.

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<sup>2</sup> <http://www.op.gov.ph/search.asp>

<sup>3</sup> [http://www.gov.ph/sona/executive\\_inaugural\\_speech.htm](http://www.gov.ph/sona/executive_inaugural_speech.htm)

<sup>4</sup> [http://www.gov.ph/sona/executive\\_inaugural\\_speech.htm](http://www.gov.ph/sona/executive_inaugural_speech.htm)



As for Arroyo's policy dynamics on the external front, it was the epochal Sep. 11 attacks that bears testimony to her mature handling of the dramatic turn in international events, attempting to make the most out of the crisis the world found itself mired in. The only superpower found itself under siege from a band of discontented terrorists and something of this proportion had never happened to the United States before. The Philippine government had long been used to this kind of violence, albeit, of a different kind. Though the southern band of terrorists indulged in violence for amore local and immediate cause, such as political secession, there was an eerie similarity since both carried strong religious undertones. The Arroyo government grabbed this opportunity to not only reinforce its ties with the US, but also to use this reinforced relationship to set its own house in order in the strife-torn southern Philippines. In the wake of the Sep. 11 attacks, Arroyo visited Washington for the first time since ousting Estrada. The occasion was timed to mark the 50<sup>th</sup> anniversary of the Philippines-US Mutual Defence Treaty with her visit securing an extensive package of military and economic assistance for her administration. During that tour at the breakfast forum organized by the Council For Foreign Relations and the Asia Society at New York, MS. Arroyo cited four realities that had shaped the responses crafted by her government in facing the uncertainties in regional and international environment brought by the Sep. 11 attacks on the US<sup>5</sup>. The first reality was that the interrelationship among China, Japan and the US would have a decisive bearing on the East and South East Asia. The second reality was that the Philippines' foreign policy decisions had to be made in the context of the ASEAN, which had emerged as a critical factor in the realm of regional and international politics. Thirdly, the Philippines would have to consider the international Islamic community as an important component of its policy considerations. And the fourth reality was that in the coming years, regional and multilateral organizations were to play a greater role in promoting peace and prosperity across the world and assist in furthering the interests of sovereign nations. Ms. Arroyo also acknowledged that while China was increasingly getting

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<sup>5</sup> <http://www.ops.gov.ph/usvisit2001/news.htm>

more prominent for regional peace and stability, the US would continue to be the most important force in the affairs of the region.

On the bedrock of such positive overtures towards the US, it was but natural that the bigger ally would go all the way to keep its long-standing partner in good spirits. President Bush very warmly accepted the grief and sorrow expressed by the Philippine President over the precious lives lost in the Sep.11 attacks. The latest threat to the United States is so real that it would not like to upset its equation with a country like the Philippines with its own share of domestic terrorism, which is supposedly in league with the global terror network stalking the biggest military power. In the joint statement between the US and the Republic of the Philippines in Nov.2001, President Bush conveyed his deep appreciation for Ms. Arroyo's leadership in the fight against terror, both within the southern Philippines and against international terror network. The Philippines in dire need for financial aid to bolster the flagging economy was pledged a total of around \$4.6 billion. The package included a \$2 billion military and economic grant from the Bush administration, plus a further \$2 billion in investments from US companies and \$261 million in multilateral aid.<sup>6</sup> The deal with Us corporations included a \$100 million project involving Kellogg Brown & Root and the Subic Bay Metropolitan Authority to establish a ship repair facility at the former naval base and a plan by Ford to use the Philippines to export 65,000 vehicles over the next five years.<sup>7</sup> The two Presidents resolved to work closely to expand trade bilaterally, particularly in the context of the Doha Development Agenda. Bush agreed to work with the US Congress to provide the Philippines over \$1 billion in Generalized System of Preferences (GSP) benefits. He also noted that the growth rate of quotas of US imports of textiles and apparel from the Philippines would increase by 27% in accordance with commitments to the WTO.<sup>8</sup> The US Department of Agriculture (USDA) and the Philippine Department of Agriculture further signed a Memorandum of Agreement to renew and expand activities involving wide-ranging scientific, technological and agro-

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<sup>6</sup> <http://www.wsws.org/sections/category/news/as-phil.shtml>

<sup>7</sup> <http://www.wsws.org/sections/category/news/as-phil.shtml>

<sup>8</sup> <http://www.yale.edu/lawweb/avalon/diplomacy/philippines/phil001.htm>

business cooperation. USDA had also pledged to make available guarantee programmes of \$150 million for US agricultural exports and equipment to the Philippines that support the modernization of Philippine agriculture and fisheries. Arrangements had also been made to provide up to \$40 million in PL-480 food aid.<sup>9</sup> Bush also announced that the Overseas Private Investment Corporation (OPIC) would extend a special line of credit of \$200 million, building on its already substantial portfolio and commitments for private sector investments in the Philippines, including the housing sector. The two Presidents also affirmed their shared commitment to protecting the environment and public health. Philippines was also declared eligible to participate in debt-treatment programmes under the US Tropical Forest Conservation Act (TCFA) of 1998.<sup>10</sup> TCFA provided for the cancellation of a portion of concessional debt owed to the US in exchange for a commitment to make local currency payments to support domestic forest conservation activities.

Besides, Mindanao Assistance Package would provide direct support for the nascent peace process by integrating the ex-combatants and their communities into the peacetime economy, creating an environment conducive for investments, job creation and economic progress. The package would also include \$825,000 in new educational and cultural exchanges, including a number of Fulbright scholarship grants, specifically targeted at Mindanao's Muslim community. To complement the assistance, the US Trade and Development Agency (TDA) would take a pro-active approach to engage the US private sector's involvement in Mindanao's infrastructure development. TDA had even signed a \$302,500 grant agreement to plan the development of a commercially sustainable solar-powered irrigation system for rural farming communities.<sup>11</sup>

The Arroyo administration responded by reopening the former US military bases at Subic and Clark to provide refuelling and repair services to US ships and aircraft. Ms. Arroyo and President Bush were also to sign an agreement – allowing US military force to purchase supplies, spare parts and

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<sup>9</sup> [http://www.ncbuy.com/reference/country/intro\\_rp.html](http://www.ncbuy.com/reference/country/intro_rp.html)

<sup>10</sup> [http://www.onlinejournal.com/special\\_reports/chin081502/chin081502.html](http://www.onlinejournal.com/special_reports/chin081502/chin081502.html)

<sup>11</sup> <http://www.yale.edu/lawweb/avlton/diplomacy/philippines/phil001.htm>

services in the Philippines under commercial agreements. The agreement would complement the 1999 RP-US Visiting Forces Agreement that allowed the limited presence of US troops during annual joint and combined military exercises. Until 1992, US military assistance averaged about \$ 200 million annually which fell to zero after the Senate had refused to approve an extension for a lease of the bases. In 2000, the US had provided \$ 2million in military aid, \$1.4 million in military training and a used C\_130 cargo plane. Military assistance in the form of economic support Fund increased from zero in financial year 2000 to an estimated \$9 million in FY 2001.<sup>12</sup> Besides, the Philippine President also pledged support for the Philippine Veterans Equity Act that would provide Filipino veterans of the US military during World War II benefits equal to those of their US counterparts.

Therefore, the comprehensive and wide-ranging string of agreements in the aftermath of the Sep. 11 is illustrative of the commonality of threat perception that the two countries share with each other. Coming to domestic strand of terrorism, in the context of the Moro National Liberation Front (MNLF) reaching an accord with the government and the setting up of the Autonomous Region of Muslim Mindanao (ARMM), the Arroyo government also realized the need to reach an understanding with the Moro Islamic Liberation Front (MILF) and the Abu Sayyaf. Though the Abu Sayyaf has proved to be rather intransigent, intent on persisting with its bandit type kidnapping-for ransom activities, the Arroyo government did manage to make some sort of a breakthrough with the MILF. In August 2001, the Macapagal government had signed a ceasefire agreement with the MILF brokered by Malaysia and Libya.<sup>13</sup> The MILF had earlier agreed to set aside its demands for independence in order to make headway on the rehabilitation of war-ravaged areas, the implementation of previous agreements forged by the MILF and the economic development for Mindanao. In October 2001, the MILF signed a pact with the government to safeguard the recent ceasefire agreement. IN Nov. 2001, the Pentagon Gang (formed in 2000 comprising of renegade members of the MILF) did create

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<sup>12</sup> <http://www.fpiif.org/index.htm>.

<sup>13</sup> <http://www.c-r.org/pubs/annreps/annreps.shtml>.

troubles by kidnapping an Italian priest, Father Giuseppe Pieantoni, in northern Manila. Meanwhile, the Arroyo government had succeeded in deterring the American government from classifying the MILF as an international terrorist organization.<sup>14</sup> IN Feb 2003, peace negotiations broke down when government troops assumed control of the important MILF base of Pikit, on Mindanao, in violation of the ceasefire agreement. There have been sporadic incidents of violence when there were bombs exploded near Davao airport in March 2003. However, it was announced in July 2003 that the two sides had finally come to a settlement.<sup>15</sup> As for Abu Sayyaf, it continues to engage he Philippine armed forces militarily when the Bush government proposed the dispatch of US combat troops to the southern Philippines in order to deal with the Abu Sayyaf, the Arroyo government politely turned down the offer and instead asked for their assignment to be downgraded to training, advice, surveillance, intelligence sharing and infrastructure development, in the face of widespread opposition from a Philippine public still sensitive about an y remnants of American colonialism. This highlights the fact that the Philippine President often had to tread a fine balance between foreign policy expediency and people's sovereign sensitivities. The Arroyo government's firm stance towards the Abu Sayyaf is evident when in late Feb 2003, it imposed a 90-day deadline upon military commanders for the elimination of the threat posed by the Abu Sayyaf.<sup>16</sup> The Arroyo government even made an attempt to make peace with the leftist guerrillas who have been taking the country to ransom for years now. In April 2001, the government held its first round of peace talks with the NDF in Oslo, Norway where both sides had agreed to undertake Confidence Building Measures (CBMs). However, due to their persistent recourse to committing political assassinations, the government had to call off the negotiations and in October 2002 designated it formally as a terrorist organization. In August 2002, the US had added the Communist Party of the Philippines (CPP) and the New People's Army (NPA) to its list of international

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<sup>14</sup> The Europa World Year Book 2004, vol. 2, p. 3416

<sup>15</sup> Ibid

<sup>16</sup> Ibid., p.3418

organizations.<sup>17</sup> President Arroyo even made a visit to Malaysia in the light of the fact that Abu Sayyaf had continued to move in and out of Sabah with impunity and had carried out series of kidnappings for ransom operations testing the government's ability to rein them in. In May 2002, the Philippine government signed an agreement with Indonesia and Malaysia, which was aimed at preventing cross border terrorist activity, with particular focus on members of Jemmah Islamiyah, an organization reported to be furthering al-Qaida's objectives in south East Asia.<sup>18</sup> In the first few months of 2002, the Philippine authorities arrested several Indonesian nationals suspected of producing or transporting bomb, while at the same time arrests of foreign nationals were made elsewhere in the region. In Nov.2001, the Malaysian government arrested and then transferred to the Philippine authorities, the Famous MNLF leader, Nur Missauri, who earlier had led a violent, but unsuccessful attack on a military outpost in Jolo, after being forced to relinquish his position as Governor of the ARMM. Hence the Arroyo government's dealing with the domestic insurgency was not limited to the American's cooperation. The government had the will and the vision to co-opt some of the regional players also such as Malaysia and Indonesia. However, the bilateral relationship between the Philippines and Malaysia had deteriorated following the implementation of stringent new laws under which all-illegal immigrants remaining in the country faced harsh penalties and deportation. Many of those affected were Filipino workers. The Philippine government filed a formal complaint against Malaysia over its treatment of its immigrants testifying to the sensitiveness displayed by the Philippine government. This precipitated the Malaysian government's subsequent suspension of the implementation of the Act.<sup>19</sup>

However, notwithstanding Ms Arroyo's opening up of its foreign policy options, US remained the vital link between the Philippines and its conduct vis-à-vis the rest of the world. With the success of the Balikatan exercises, the two countries have discussed various ways of transforming it into a sustained

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<sup>17</sup> The Far East and Australasia, 2005, p. 1008

<sup>18</sup> Ibid., p 1010

<sup>19</sup> The Europa, n.14, p. 3419

programme of security cooperation and counter-terrorism, training and assistance. In August 2002, Philippine Defence Secretary Angelo Ryes and US Defence Secretary Donald Rumsfeld signed an agreement expanding the two countries' security relations by creating a political committee to supervise the alliance's military to military programme.<sup>20</sup> In late 2002, the US government signed a five-year military agreement with the Philippines, pledging to extend cooperation between the armed forces of the two countries and to facilitate the movement of heavy equipment and logistical supplies. In Jan 2003, an advanced deployment of US Special Forces' troops arrived in Zamboanga to commence anti-terrorism training exercises. In April, a new joint exercise-'Balikatan 03-1' was announced to take place in North Luzon and South-West Sulu.<sup>21</sup> In the meanwhile, the Arroyo government had once again rejected the American's proposal of conducting joint exercises on the ultra-sensitive province of Jolo, which underlined the fact that the Philippines did have a say in its own affairs.<sup>22</sup>

Towards the end of the 2002 when it became almost imminent that the United States would go to war in Iraq in search of Weapons of Mass Destruction (WMDs), the Philippine President adopted a patently cautious line. On the American's quest for her support, in Sep.2002, she mad an announcement that Philippine airspace, ports and facilities would be opened to American planes and ships heading to the Middle East. However, there were two conditions attached to it-firstly, the Philippines would not endorse any war or unilateral military action against Iraq and secondly, the US must convince the Philippines that any action against Iraq was linked to Washington's war against international terrorism. The Philippine Foreign Secretary made the point clear when he said-"We are not endorsing any war, but we are an ally of the US. We have a Mutual Defence Treaty with them [sic: it] and there is a UN resolution-American war planes and vessels may land, dock, refuel or conduct flyovers of the Philippines should the US decide to attack Iraq---"<sup>23</sup> The Philippine support was based on the

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<sup>20</sup> [http://www.fes.de/library/index\\_gr.html](http://www.fes.de/library/index_gr.html)

<sup>21</sup> The Europa, n 14, p. 3418

<sup>22</sup> <http://www.fes.de>

<sup>23</sup> <http://www.fes.de>

assumption that the Iraq war would come to a swift conclusion (however, it hasn't happened that way) and a 51- member non-combatant contingent was dispatched to Iraq. However, a hostage situation involving a truck-driver De La Cruz put the Arroyo government in a diplomatic quandary when on one hand, it was the life of a Philippine national whom she was pledged to protect by the mandate of the constitution and on the other hand, she had to risk incurring the wrath of the United States. With the domestic opinion being overwhelmingly in favour of the former, the government had to recall its troops from Iraq.<sup>24</sup>

On the occasion of the visit of President Arroyo to the US in May 2003, the Philippines was designated as a major Non NATO Ally (MNNA).<sup>25</sup> This placed the country in a profoundly privileged league of countries including Japan, Australia, Egypt etc. taking the relationship between the two countries to a greater height never reached before. The Oct.2003 return visit of President Bush to the Philippines saw a series of agreements and a joint statement reaffirming their shared commitment to "Peace Security and Prosperity".<sup>26</sup> The two Presidents also reviewed and endorsed the findings of the 2003 Joint Defence Assessment (JDA) of the Armed Forces of the Philippines' capabilities and requirements. New US programmes of law enforcement training, equipment and expertise to strengthen the rule of law and to reform the Philippine National Police and other law enforcement agencies were undertaken. A Memorandum of Intent for Expanding Access to Quality Education, a \$33 million, 6-year education programme was signed. It was targeted at raising the quality of education nation-wide, especially in the ARMM and to address the special problems of out of school youth in conflict-ridden areas. Then a Memorandum of Agreement was signed between the American Chamber of Commerce of the Philippines (AmCham) and the Philippine-US Business Council to launch a countrywide programme to improve teacher's and students' proficiency in the English language.<sup>27</sup> The programme, which was initially targeted at Filipino professionals and new entrants into the

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<sup>24</sup> <http://www.gov.ph>

<sup>25</sup> <http://www.whitehouse.com>

<sup>26</sup> <http://usembassy.australia.state.gov>

<sup>27</sup> <http://usembassy.state.gov>



labour force, sought to enhance Filipino labour forces' attractiveness for foreign investment. Besides, President Bush also announced the doubling of US funding for medical equipment at the Veterans' Medical Centre in Quezon City.

Coming to Ms. Arroyo's initiatives on domestic economy, she had a tough task ahead in the backdrop of the corruption-ridden Estrada government's unceremonious ouster sparking a fear of foreign investors in hordes deserting the country. However the President being a proficient economist took up the challenge with élan and succeeded in restoring confidence, at least in the short-run. The peso stabilized, the rate of inflation declined and interest rates returned to the levels prevailing before the political crisis. The return of a significant number of pro-Arroyo delegates to Congress in May 2001 legislative elections gave the new government enough latitude to pursue nits programme of economic liberalization. In June 2001, an Electric Power Industry Reform Act was enacted providing the legislative framework urgently needed to enable the deregulation of the power industry and the privatisation and the restructuring of the National Power Corporation. In Feb 2003, an anti-Money Laundering Act was enacted to stem the tide of illegal money circulating in the economy.<sup>28</sup> As for the government's finances, the Arroyo government nearly bridged the Budget deficit in 2001, which was remarkable considering the frivolousness and prodigality of the previous Estrada government. However, the Government miserably failed to rein in the budget deficit in 2002 because of poor tax collection and the consequent fall in revenue. In order to deal with this, the government had proposed a 10% Value Added Tax (VAT). In Jan 2004, public sector debt was estimated as 5,160,000 million pesos, equivalent to 112% of Gross National Income (GNI).<sup>29</sup> Since the Philippines joined the WTO, American corn-growers have received an astonishing \$ 34.5 billion in tax support; according to an analysis of government data by the Washington based Environmental Working Group. It explains how America is able to export or rather dump corn at only two-

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<sup>28</sup> The Europa, n 14, p. 3420

<sup>29</sup> The Far East, n. 17, p. 1016

thirds of its cost of production.<sup>30</sup> However in April 2002, in the face of the proposed trade legislation in the US Congress abolishing the tariff imposed on tuna products from South American and Central American countries, US had assured the Philippines that adequate arrangements would be made so that it doesn't feel the pinch. Off late, the Philippine Chamber of Commerce and Industry (PCCI) have urged the government to initiate a new bilateral trade talks with the US. Special Philippines-US trade relations ended in 2004 when the last of Philippine export goods granted by the US was phased out. In the meantime, the Philippines is set to sign a Free Trade Agreement (FTA) with Japan before the end of this year and is contemplating similar arrangements with South Korea and India. The Philippines businesses particularly in the farm and service sectors stand to benefit most under an RP\_US FTA.<sup>31</sup> Besides certain institutional arrangements such as the US-Philippine Business committee of the US-ASEAN Business Council comprising senior business executives of multinationals in both the countries received a new impetus. In Sep. 2003, the delegates held a dialogue on the Business Framework Agreement (BFA),<sup>32</sup> which outlined specific actions in six areas- in trade and investment; as a regional hub; in e-Commerce resources; as a model for energy sector development; in agricultural development through bio-technology and as an entrepreneur in tourism. Ms. Arroyo's reaction to the Chinese accession to the WTO has been fairly balanced as she averred that it offered both opportunities and challenges. While the opportunities lay in the access to the huge Chinese market especially for tropical fruits the challenge was in competing with the Chinese for access to the third world markets. In fact, with relation to Japan and China, she had once said-“ Japanese capital, Philippine human resources and Chinese markets. That's the way to go in the 21<sup>st</sup> century”<sup>33</sup> However a bilateral FTA with Japan might have an adverse effect on Philippines' own fledgling industries such as automotive assembly and refrigeration. However

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<sup>30</sup> <http://www.commondreams.org>

<sup>31</sup> [http://www.bilaterals.org/rubrique.php3?id\\_rubrique=113](http://www.bilaterals.org/rubrique.php3?id_rubrique=113).

<sup>32</sup> [http://www.usaid.gov/locations\\_near\\_east/countries/philippines/](http://www.usaid.gov/locations_near_east/countries/philippines/)

<sup>33</sup> [http://wais.stanford.edu/philippines/philippines\\_index.html](http://wais.stanford.edu/philippines/philippines_index.html).

the point is that the government of Ms Arroyo is willing to look beyond the United States in its trading and economic endeavours.

The Philippines' prowess in the services sector is evident from the fact that it is a close competitor to India for outsourcing of business operations in the Asian region. In Oct. 2004, the Philippines participated at the world's leading outsourcing conference at the Outsource World New York.<sup>34</sup> Global research and consultancy firm Meta Group ranked the Philippines as number four worldwide in terms of availability of knowledge workers.<sup>35</sup> It is an attractive country for off shoring of business processes thanks partly to its cultural affinity to the US and American style English speakers. It also enjoys a reputation as a stable fast growing economy with rapid telecommunication and technological advances. Its call-centre industry in 2003 employed more than 27,000 people. Intel, Microsoft, Safeway and Kodak are among companies that have opened offices most of which are located in Manila. There has also been rapid growth in shared service centres, due to a highly skilled workforce in accounting, software writing, architectural services, tale marketing and graphic design. AIG, Caltex, Procter & Gamble and HSBC operate among the largest shared service or call-centres in the country. In July 2005, to boost the country's thriving business process out sourcing industry, a senior member of Congress has sought the immediate repeal of an old-fashioned Labour Code provision that bans the employment of women at night.<sup>36</sup> So, foreign companies in this way have played a major role in creating employment in turn boosting the political fortunes of the Arroyo government.

However, as all good things at some point of time come to an end, so has it happened to the good fortunes of the Arroyo government. Most recently, the government's applecart was with the unravelling of tapes indicating the President indulging in electoral frauds in the elections last year. Earlier in 2003 itself, the President had managed to ride out a minor coup attempt led by some of

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<sup>34</sup> World Investment Report, 2004: The Shift towards Services, Pub. United Nations

<sup>35</sup> Ibid

<sup>36</sup> <http://www.abs.cbnnews.com>

the disaffected factions of the military and the political ranks.<sup>37</sup> But this time around, it seems a tough proposition since a substantial section of the civil society seems to be up in arms against the Arroyos government. In fact, Arroyo compounded the crisis herself when she admitted that indeed it was her voice calling to a Commission of Elections (COMELEC) official.<sup>38</sup> The National Council of Churches in the Philippines (NCCP) and its 13 million constituents along with the vast majority of the Filipino people have called for the President's resignation on the basis of the so-called "Gloriagate" tapes.<sup>39</sup> Some of the important members of her cabinet have resigned and asked her to do the same. Communist guerrillas have also vowed to step up attacks on the government targets in order to make her resign. Even the Makati Business Club and the former President Corazano Aquino has asked the President to step down. However, besides the Catholic Bishops Conference of the Philippines (CBCP) and the League of Municipalities of the Philippines, the former President Ramos has stood by the President asking her to hold fort in order to actually reform and cleanse the entire system.<sup>40</sup> Now that the brickbats are coming in, critics have begun to point out a number of anomalies and their fallout in the President's policy-making. For instance, the Philippines has the highest level of public debt (Around P4 trillion) and the biggest amount of foreign borrowing. It is the second-most corrupt country in the world and first in Asia according to the World Economic Forum and Asian Development Bank.<sup>41</sup> According to the New York based Committee to Protect Journalists (CPJ), it is the most dangerous place for journalists in the world.<sup>42</sup> On 13<sup>th</sup> July 2005, the country witnessed the biggest demonstration till date in the capital's financial district to demand the President's resignation. The same day, Moody's Investor Service, the international ratings agency downgraded its outlook on Philippine sovereign debt from stable to

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<sup>37</sup> <http://www.time.com>

<sup>38</sup> <http://www.gloriaresign.fil.ph/admin/themes/settings?PHPSESSID=38a734f55a586333823dbafabd2ae25>.

<sup>39</sup> <http://www.gloriaresign.fil.ph/admin/themes/settings?PHPSESSID=38a734f55a586333823dbafabd2ae25>.

<sup>40</sup> <http://www.abs.cbnnews.com>

<sup>41</sup> <http://www.pinoyexchange.com/forums/showpost.php?p=8357166&postcount=467>

<sup>42</sup> <http://www.pinoyexchange.com/forums/showpost.php?p=8357166&postcount=467>

negative.<sup>43</sup> Earlier, Standard and Poor's and Fitch Ratings had downgraded the country's economic standing which would in effect raise the cost of government's borrowings. Internally, the Supreme Court prevented an expanded value-added tax or E-vat from taking effect.<sup>44</sup> Questions have also been raised over Arroyo government's claim of passing a "fiscally responsible" national budget, since it allocated 32% of 2005 national budget to pay the interests for government debt. Besides, the budget deficit had reached an overwhelming P 60.13 billion for the first quarter alone.<sup>45</sup> So, in the face of constant oil-price hikes, spiralling prices of goods and services, massive unemployment, such serious allegations of electoral fraud has only strengthened the hands of the critics.

Despite such strong winds of fortunes blowing against the President, it seems she has stood her ground. In the midst of such raging controversies, she is still all out to busy herself with the business of governance. She is contemplating reduction of energy consumption of the government agencies, departments and instrumentalities by 10% in order to mitigate the effects of the oil-price hikes.<sup>46</sup> She has also announced that under phase II of her economic reform agenda, she would allocate P30 billion for various projects on education, public health and other basic services.<sup>47</sup> On the external front, in May 2005, the Deputy Secretary of State Robert Zoellick paid a visit to Southeast Asia when symbolically Zoellick at Corrigedor in the Philippines observed the 60th anniversary of the end of the World War II. Mr. Zoellick also announced a \$ 10 million military financial package for defence reforms.<sup>48</sup>

Hence, the final big picture that emerges today is that the Philippines is in a state of flux today. With the political situation being both fluid and volatile, any definitive inference would amount to pre-matured conjectures only. With the President having asked her corruption tainted husband to leave the country, it seems that she has decided to stay on and take the battle as far as

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<sup>43</sup> International Herald Tribune, July 14<sup>th</sup> 2005

<sup>44</sup> Ibid.

<sup>45</sup> <http://www.geocities.com>

<sup>46</sup> <http://www.abscbnnews.com>

<sup>47</sup> <http://www.abscbnnews.com>

<sup>48</sup> <http://www.atimes.com>, May 28, 2005

possible. However, one thing is clear. The country certainly needs definite constitutional reforms because it seems very likely that anyone in the saddle has all the means and the wherewithal to manipulate the system in order to perpetuate his or her rule. This is nothing short of a “sham democracy”. Some of the proposals floated around include a move for a unicameral legislature, a federal system, proportional representation, strengthening of the party system and above all, transformation into a parliamentary form of government. For the moment, the army has refused to take any sides. There have also been no clear-cut indications from the external allies like the USA or the regional groupings such as the ASEAN. But in all probability, the US and the other powers would go along with any democratically elected government of the day.

## CHAPTER-V CONCLUSION

Foreign Policy is more often than not, a function of expediency rather than a matter of choice. It is a formalised device employed by a nation-state not only to secure its short term and long-term supreme national objectives, but also to enact the role of a playmaker on the field of international politics so that it doesn't remain a mute onlooker on the issues of national and international prominence. However, amidst the din and bustle of international events, the bilateral relationship between any two countries has its own dynamics, its own set of compulsions and its own specificities. But these dynamics, compulsions and specificities are subject to whims and fancies of time, which possibly plays the biggest role on the progress, and growth of bilateral relationship between any two countries. So as the bipolar world of the cold war times gave way to the uni-polar (or multi-polar?) international order, the Philippines had to fine-tune its foreign policy instruments so as to stay in tune with the realities of the new world order. The United States too adjusted its sails vis-à-vis the Philippines keeping in line with its new foreign policy blueprint.

With the end of the cold war coinciding with the withdrawal of the American bases in the Philippines, the cynics and the prophets of doom had virtually condemned the special association between the two as nothing more than a footnote of history. Why wouldn't they? After all, the world since then had undergone such a dramatic transformation that it was almost inconceivable that the Americans would need the Philippines and its military facilities as much as they did during the heights of the cold war. With the ghost of communism having been exorcised, there was no more the former USSR out to haunt the Americans and their allies. The zero-sum game between the two blocs had died its natural death with the implosion of the USSR. Against such external backdrop, it was but natural that that the long standing and deeply-embedded ties between the two would be scaled down to a more formal and less strategic levels. However, critics

fail to notice that despite the dismantling of bases, the Mutual Defence Treaty (MDT) being the centerpiece of Philippines-US strategic relationship had survived. Besides, the infusion of high technology in information and communications system, the weapons of mass destruction and various lifestyle products had unleashed a new force called globalisation that was to swamp the world with its sheer intensity and spread. The advent of globalisation ushered in a new trading and economic order through the World Trade Organisation (WTO) symbolizing greater integration of national economies and testifying to the dictum that geography had indeed become history. Markets, investments and energy security became the new buzzwords, which could neither be overlooked by the Americans nor the Filipinos. Here in this case, the Philippines would be needing the American investments more rather than the Americans needing the Philippine markets. The United States continues to be the Philippines' largest trading partner and in all likelihood will remain so in near future. So, it is geo-economics prevailing over geo-politics that binds the two in a closer union.

From the Americans' standpoint, it is the compelling factor of security that has animated their scaled-up interaction with the Filipinos. The twin attacks on the World Trade Centre and the Pentagon on Sep.11, 2001 had unnerved the Americans when they were caught off-guard by an ideology-driven, insane club of zealots who seemed to have redrawn the contours of terrorism. Though terrorism had always existed across the world in local forms and manifestations, this time it had a sweep and intensity of purpose never seen before. The almost-proven liaisons between the Al-Qaida and the local outfits within the Philippines such as the Moro National Liberation Front (MILF) and the Abu-Sayyaf have forced the most powerful country in the world not only to shore up its security apparatus but to erase this menace from the face of the earth for all times to come. The most recent 7/7 attacks on London have proved once again that no country can remain immune from this scourge, which is increasingly getting more deadly and unpredictable. In such times of turmoil with the terror stalking every American street, it is only obvious that the Americans would scour every nook



and corner of the world to weed out these merchants of death. And the Philippines happens to be one of those nooks and corners where these extremists are allegedly operating from. In the process, the Philippines is not only getting ultra-modern arms and weaponry but also training and exercises in tackling insurgency and modern means of warfare. Despite the fact that the Americans have very slim chances of reverting to the base agreement, they have been increasing their presence in recent years and the Philippine political dispensation has had a tough time reconciling their presence with the onslaught of domestic opinion.

Another binding factor between the Philippines and the US is the Chinese dragon in the eastern part of the globe, compelling the two to make a common cause. With China set to emerge as the only potential challenger to the United States in every sense of the term- be it economic, military or whatsoever, the US has all the right reasons to keep the Philippines on its side. The Chinese accession to the WTO and their recent textile export surges in the backdrop of the dismantling of the Multi-Fibre Agreement (MFA), their deliberate devaluation of their currency vis-à-vis the US dollar outclassing American export competitiveness have begun to give many a sleepless nights to the American economic mandarins. Most recently, there has been an attempt by a state-run Chinese company to take over the American energy giant Unocal has sent the Congress in a tizzy and there are voices demanding a legislative injunction against the prospective deal. From the security point of view, Chinese are potential troublemakers on Taiwan, the North Korean nuclear standoff and most obviously the South China Sea. Time and again, the Chinese have flexed their muscles on the South China Sea, which is disputed by five other countries of the region including the Philippines. The Philippines in 1995 got a rude shock when the ASEAN Regional Forum (ARF) failed to come to their aid over the issue of Chinese incursion into the Mischief Reef. It was the Americans, which once again came to their rescue as a result of which the tone and tenor of the Chinese aggression had mellowed down dramatically.

However, that was around ten years ago. In the last few years, the Chinese seemed to have moderated their stance on the South China Sea vis-à-vis the ASEAN countries. The fact that the Philippines managed to ward off the Chinese with the help of the Americans did not necessarily mean the other ASEAN countries would also go the Philippine way. The overtly benevolent Chinese role during the Asian financial crisis was a subtle inducement to win over the ASEAN countries on to their side. Besides, the ASEAN itself seems to be deeply divided—not only politically, but even economically. The relatively new member states like Cambodia, Laos, Myanmar and Vietnam are far behind on a scale of economic development. Politically, the tacit support by the Chinese extended to the unpopular military junta in Myanmar does not quite find favour with either the US or most of the ASEAN countries. It must also be remembered that there are three Muslim majority countries in the region such as Indonesia, Malaysia and Brunei with Thailand, Singapore and of course the Philippines having a sizable population. The apparent identification of Islam as the source of all the trouble has put the US in a spot even vis-à-vis some of the mainstream political parties in the region such as the Parti Islam Se Malaysia (PAS) in Malaysia. In such a hostile and complicated scenario, why wouldn't the US like the Philippines to be closely associated with it and vice-versa. In fact the Philippines would form a part of larger American security network in the Asia Pacific region including Japan, South Korea, Singapore, Taiwan etc. The proposed theatre missile defence system would probably also cover the Philippines now that the much sought-after Major Non NATO Ally (MNNA) status has been conferred on the Philippines. The concept of an "East Asian Littoral" as articulated in the Sep. 2001 Quadrennial Defence review (QDR), suggested a heightened engagement with South East Asia as part of greater attention to Asia. With the US juggernaut trundling across the globe in this unilateral world order, churning out new ideologies such as "doctrine of Pre-emption", it is but obvious that the Philippines would like to keep it in good humour. The decision to send the troops to Iraq was part of this gesture and their recall (owing to a hostage situation) was nothing more than a blip on its diplomatic radar-screen. The Philippines for its strategic location is also crucial

for the US by virtue of its proximity to the Straits of Malacca, which is one of the busiest and heaviest transit route for world trade. Besides, the perceived threat of Weapons of Mass Destruction (WMDs) falling into the hands of the terrorists groups, states sponsoring terrorism or even non-state actors has become so real that the US is using all its might to do what it can to prevent their proliferation. Recently, the US-led Proliferation for Security Initiative (PSI) designed to interdict and search suspect vessels carrying WMDs, in tandem with Singapore in the Straits of Malacca has been disputed by the Malaysians. This again underlines the importance of the Philippines' geographical location for the Americans.

Any assessment of bilateral relationship between two players would be incomplete without a survey of their domestic settings. The Philippines is a developing country, which requires all the finance and investment support besides high technology from the US. The US possibly invests the maximum funds into R&D and so; it is the technological leader of the world. If the Philippines has to propel its economy to a higher trajectory of growth and development, it must stay on the right side of the Americans. Internally, it boasts of a substantial pool of English speaking skilled professionals who can take advantage of the growing role of knowledge as an engine of economy not only within the Philippines but also outside. Socio-culturally, it appears to be a liberal country where different races and faiths live harmoniously in a spirit of tolerance and accommodation. The insurgency problems in the southern Philippines are more political than social. However, politically, it does not quite seem very stable in the light of the ongoing crisis that has rocked the country. The two EDSA revolutions- one overthrowing the Marcos regime and the second dislodging the Estrada government have underlined the fact that the Filipinos are a politically aware lot ready to take things in their own hands if the if the government fails their expectations. What is worth noting is that the Presidential system of government has somehow not worked in the Philippines where the constitution seems heavily tilted in favour of the incumbent President who can misuse the office for his or her personal ends. There should be no doubt that the US would not throw its

weight behind any government but a democratically elected one after the 9/11 terror attacks (the US had initially turned a blind eye to the dictatorial regime of Marcos). For, it is a democratically elected government only, which can be their best bet for any policy actions against the terrorist menace. Only a democratically elected government would have the mandate and the legitimacy to adopt a 'come what may' approach under the tutelage of the US to counter the terrorist threat. Besides, the US wouldn't want to unnecessarily antagonize the people of the Philippines who might construe it as undue interference in their internal affairs. It often so happens that the government of the day is ranged directly against the public opinion on a critical issue of foreign policy, which if considered positively, is a sign of a healthy democratic functioning. In such situations, after a thorough round of debates and deliberations, the government has to go with the majority line. This is an extremely crucial point since it means that in order to further its relationship with another country, a government must not only get the other government on-board on a particular issue but also should have the consent of the other country's people. In this case, the Filipinos though appreciate the US' help in various different ways, they are not in favour of the Americans' return to the bases as before.

Hence, the writing seems to be clear on the wall. The special bilateral equation between the Philippines and the US has had a long and enduring history and is all set to remain that way in the near foreseeable future. Irrespective of the leadership in the two countries, both have tangible mutuality of interests and commonality of purposes that would sustain their ever-strong relationship. While the US needs the Philippines more from the security stand point, the Philippines needs the US both from the security as well as economic perspective. So the balance appears to be tilted more in favour of the United States, which is almost axiomatic. However, it cannot be stated with certainty as to what extent the US would get itself mired in an actual military operation on behalf of the Philippines in the Asian theatre. For, in the scheme of international relations, rank opportunism is often the norm rather than exception. For the time being, the US

would maintain some sort of a 'strategic ambiguity', which is not unusual. It is not that the Filipinos don't understand it. The idea lies in some kind of 'role-playing' and the bluff would be called only when the opportune moment comes. Nonetheless, there is no denying the fact that post-Sep.11, the Philippines' bargaining leverage has raised vis-à-vis the US and the security stakes seems to be all time high for the latter. Though, the role of ASEAN and the other regional forces have become increasingly crucial for the Philippines, they are still in no position to replace the United States. The post-cold war China's phenomenal rise and the latest terrorist menace in London have only made the situation desperate for the United States. Needless to say, the ties would go from strength to strength as long as there is a win-win situation for both.

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