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**REENERGIZING THE U.S. AND PHILIPPINES
RELATIONSHIP: THE PHILIPPINES BELT AND
ROAD PROPOSAL**

DiSanto, David J.; Hunnell, Justin M.

Monterey, CA; Naval Postgraduate School

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**NAVAL
POSTGRADUATE
SCHOOL**

MONTEREY, CALIFORNIA

MBA PROFESSIONAL PROJECT

**REENERGIZING THE U.S. AND PHILIPPINES
RELATIONSHIP: THE “PHILIPPINES BELT AND ROAD”
PROPOSAL**

December 2021

**By: David J. DiSanto
Justin M. Hunnell**

**Advisor: Nicholas Dew
Co-Advisor: E. Cory Yoder**

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**REENERGIZING THE U.S. AND PHILIPPINES RELATIONSHIP:
THE “PHILIPPINES BELT AND ROAD” PROPOSAL**

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Justin M. Hunnell, Lieutenant Commander, United States Navy

Submitted in partial fulfillment of the
requirements for the degree of

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from the

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December 2021**

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REENERGIIZING THE U.S. AND PHILIPPINES RELATIONSHIP: THE “PHILIPPINES BELT AND ROAD” PROPOSAL

ABSTRACT

The purpose of this thesis is to examine why the United States should care about its future relationship with the Philippines through the overarching lens of Pankaj Ghemawat’s Cultural, Administrative, Geographic, and Economic (CAGE) Distance Framework. In addition, we will delve deeper to investigate a more direct approach using Michael E. Porter’s classic diamond model found in *The Competitive Advantage of Nations*. Using qualitative and exploratory research methods, we explore three questions. First, why should the United States care from a national security and alliance perspective about an economically stronger Philippines? Second, what does an economically stronger Philippines mean strategically for the United States’ influence in the Southeast Asian region? Finally, what can be done to strengthen the United States and the Philippines relationship? In conclusion, our recommendations provide tangible solutions to current gaps between the Philippines and the United States whether they be cultural, political, or military to facilitate a prosperous relationship while simultaneously thwarting the actions of the Chinese Communist Party (CCP) sweeping through Southeast Asia.

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LIST OF ACRONYMS AND ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CAON	Competitive Advantage of Nations
CCP	Chinese Communist Party
CPF	Central Provident Fund
DOD	Department of Defense
EEZ	Exclusive Economic Zone
MFN	Most-Favored-Nation
NEO	Noncombatant Evacuation Operation
NPA	New People's Army
PLAN	People's Liberation Army Navy
PRC	People's Republic of China
RA11032	Republic Act 11032
SCI	Sister Cities International
U.S.	United States
USSR	Union of Soviet Socialist Republics
VFA	Visiting Forces Agreement

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I. INTRODUCTION

Who controls the food supply controls the people; who controls the energy can control whole continents; who controls money can control the world.

—Henry Kissinger (Wu & Zhang, 2017)

The purpose of this thesis is to examine the cultural, economic, and historical examples that the United States can leverage to create a mutually beneficial relationship while simultaneously thwarting the actions of the Chinese Communist Party (CCP) sweeping through Southeast Asia. Consequently, achieving dominance over this country and severing its historic relationship with the United States is a central priority of the Chinese Communist Party and a prime object of its Belt and Road Initiative” (Gaffney et al., 2021). Our research will examine why the United States (US) must care about its future relationship with the Philippines through the overarching lens of Pankaj Ghemawat’s The Cultural, Administrative, Geographic, and Economic (CAGE) Distance Framework. In addition, we will delve deeper to investigate a more direct approach using Michael E. Porter’s classic diamond model found in The Competitive Advantage of Nations (CAON). Using qualitative and exploratory research methods, we will explore three questions. First, why must the United States care about an economically stronger Philippines from a national security and alliance perspective? Secondly, what does an economically stronger Philippines mean strategically for the United States’ influence in the Southeast Asian region? Finally, what can the United States do to strengthen its relationship with the Philippines? In conclusion, our recommendations will provide tangible solutions to current gaps between the Philippines and the United States, whether it be cultural, political, or economically to facilitate a prosperous relationship that we had experienced in the recent past. An argument for the United States and Philippines investment joint-venture or “Most Favored Nation” status will be addressed to assist them with obtaining globalization and economic parity among major financial players because the current growth of the People’s Republic of China (PRC) will eventually encompass the Association of Southeast Asian Nations (ASEAN) region through their influence and investments.

Before analysis can be conducted on the Philippines and United States relationship, it is worth looking at a broader concept of why the United States should care that the Philippines does not fall under the favor of the PRC as opposed to that of the United States. To draw on this line of thinking, we will also explore the importance of strengthening relationships between the United States and the Philippines. There are cultural, economic, and historical examples that the United States can leverage to create mutually beneficial relationships and simultaneously thwart the actions of the CCP sweeping through Southeast Asia.

As a part of the larger United States defense strategy, the National Defense Strategy specifically mentions China first. Then states, “China is a strategic competitor using predatory economics to intimidate its neighbors while militarizing features in the South China Sea” (Mattis, 2018). Similarly, in the U.S. Navy’s, A Design for Maintaining Maritime Superiority 2.0, China is again the first country mentioned, stating they are “deploying all elements of their national power to achieve their global ambitions” (Richardson, 2018). The National Military Strategy continues the trend of pointedly mentioning China first. It states they “represent the most difficult challenges facing the Joint Force” (Strategy Development Division Deputy Directorate for Joint Strategic Planning Directorate for Strategy, Plans, and Policy (J-5) The Joint Staff, 2018). In the Interim National Security Strategic Guidance, China is characterized as “the only competitor potentially capable of combining its economic, diplomatic, military, and technological power to mount a sustained challenge to a stable and open international system” (The White House, 2021). Finally, in the most recent Secretary of the Navy Carlos Del Toro, One Navy-Marine Corps Team: Strategic Guidance from the Secretary of the Navy, the “Four Cs” begins highlighting China, “The People’s Republic of China represents the pacing challenge against which we must plan our warfighting strategies and investments” (Del Toro, 2021). These vital policy dictating documents and numerous non-government organizations emphasize the importance of the Chinese threat. They also underscore the significant risk that the United States assumes if it loses the Philippines to Chinese influence. The United States would be at a considerable disadvantage in the Southeast Asian region.

The United States has good reason to tread lightly in Southeast Asia, as seen with its relationship with Vietnam. As recalled by former Secretary of Defense Robert McNamara when former Foreign Minister of Vietnam Nguyễn Cơ Thạch said to him,

Mr. McNamara, you must never have read a history book. If you'd had, you'd know we weren't pawns of the Chinese or the Russians. McNamara, didn't you know that? Don't you understand that we have been fighting the Chinese for 1000 years? We were fighting for our independence. And we would fight to the last man. And we were determined to do so. And no amount of bombing, no amount of U.S. pressure would ever have stopped us. (Movie Quotes Database, 2003)

The ingrained tensions mentioned above between Vietnam and China involving territorial disputes over the Paracel Islands and other grievances culminated in 1979 with the Sino-Vietnamese War (Gompert et al., 2014). Currently, Vietnam is experiencing China's devastating hydroelectric dams "causing irreparable damage to the delta, altering fragile ecosystems and wrecking the livelihoods of the 2.3 million farmers who farm along the Mekong River and the canals in Vietnam's Mekong Delta" (Quang & Borton, 2020). In addition, there is tension brewing again around controversial dam projects funded by the PRC. For example, the Kaliwa Dam project in the Philippines is creating a divide among the people and the Philippine President Rodrigo Duterte, with the loan totaling \$235.9 million he secured from China (Chavez, 2019). The Philippines assumes much risk by giving the PRC a stake in two vital resources, energy and water. The PRC can exploit the Philippines if they default on the loan.

A. INTO THE HORNETS' NEST

The Asian Giant Hornet, commonly nicknamed "the Murder Hornet," has only one known natural predator, the Honey Buzzard, unafraid to directly attack the hornets' nest. There are instances of honeybees, specifically Japanese Honeybees, working together as a hive to completely engulf "the Murder Hornet" forming a defensive ball and neutralizing the threat. Western Honeybees, unfamiliar with the threat, are rapidly disposed of by the Asian Giant Hornet (Wason, 2013). This example of nature provides an appropriate analogy demonstrating what is occurring with the Chinese Communist Party's "Belt and Road Initiative" (BRI) highlighted in Figure 1. Similar to the Honey

Buzzard, the United States is still able to directly impact the hornets’ nest, but the preferred method to neutralize “the Murder Hornet” is to work together as the Japanese Honeybees do. To counter the Belt and Road Initiative, the United States must further strengthen alliances and facilitate an opportunity for further growth in the Southeast Asian region.

Reviving the Silk Road

Announced by Chinese President Xi Jinping in 2013, the Silk Road initiative, also known as China’s Belt and Road initiative, aims to invest in infrastructure projects, including railways and power grids, in central, west and southern Asia, as well as Africa and Europe.

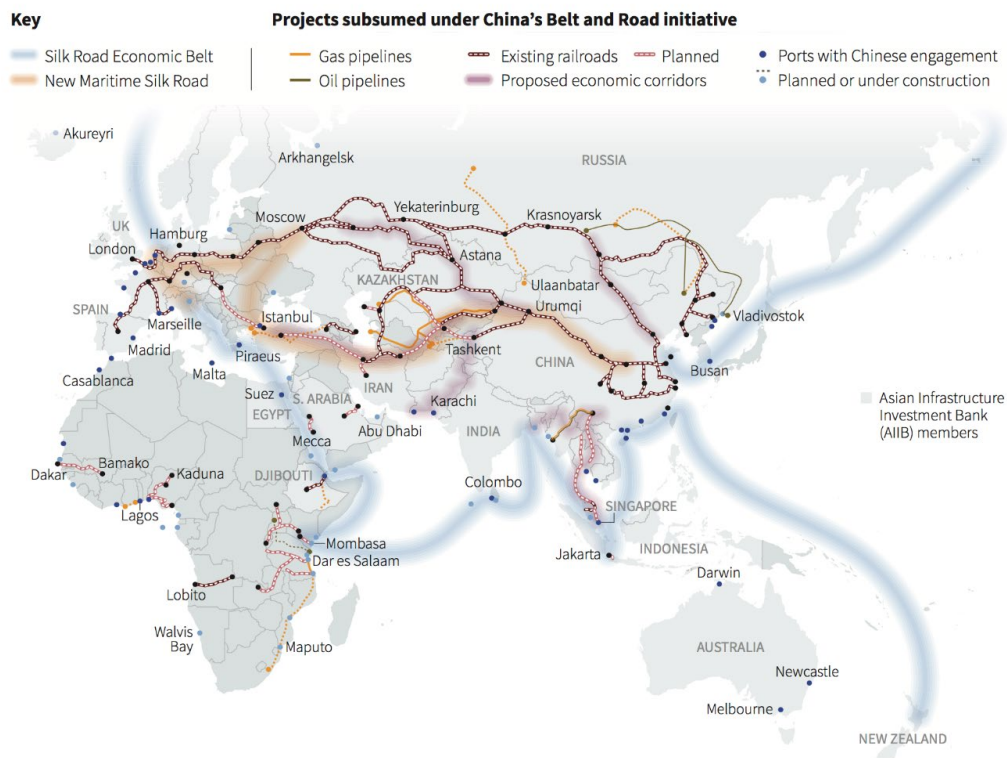


Figure 1. BRI Map. Source: Mercator Institute of China Studies (2017).

A rapidly and expanding China, under communist rule, poses a threat to the United States and our like-minded allies globally and, more specifically, the members of the ASEAN. The Philippines is one of the United States’ longest-standing allies backed by a mutual defense treaty. To curb aggressive actions taken by the CCP in their initiatives of infrastructure throughout Africa and their BRI throughout Europe and Asia,

a strong growth-oriented ASEAN led by the Philippines based upon the foundational relationship with the United States enables the Philippines to circumvent these aggressive actions taken by the CCP, grow their regional strength, and foster issues of commonality between the United States and the Philippines through mutual ties and growth together.

The ASEAN is working on a collective reform agenda to improve globalization and economic integration. An estimated one-third of global shipping passes through the South China Sea annually (ChinaPower, 2017). The Philippines has seventy-two percent of its entire trade flow through the South China Sea (ChinaPower, 2017). With the assistance of the United States, the Philippines can continue growth and support the progress of modernization occurring throughout ASEAN. The Philippines can grow its economy and compete with the more prominent economic players such as China, Japan, and Singapore. Their efforts in liberalization and deregulation will yield further results as new corporations can enter their domestic market (Llanto & Navarro, 2012). By establishing themselves and preventing a PRC hegemony, they would have the opportunity to tap into more significant potential imports and exports (Ruta, 2018).

Stemming from what could be done by the international community to counter “Beijing’s fundamental assault on peace and stability in the most economically vibrant part of the world” (Navarro & Chang, 2015), we will attempt to provide ideas for the United States to aid in strengthening the Philippines. Evidence of economic interdependence is not certain to prevent large-scale conflict or war as the actions recommended by Liang Qiao et al. (2015). It may eventually lead to a boiling point; however, key points in the region meshed with updated information are worth revisiting. As evidence of the reoccurring importance of the United States and Philippines relationships, an earlier NPS Thesis was generated with a similar subject matter relating to our strategic naval positioning. Garcia (2001) makes a case for the forward U.S. Naval presence, and we believe this case still holds. We see that benefits to the U.S. would inherently grow through a solid regional economic base capable of thwarting CCP influence of foreign direct investment and development aid as noted in (Fleck & Wissler, 2017).

The analysis using the CAGE model and Porter's CAON can show how the Philippines could enter a greater era of prosperity. Good alliances reflect mutual respect, while the United States and the Philippines have their challenges, the willingness of the United States to recognize international laws, respect intellectual property, and abide by other factors of a strong economy such as private property rights and trademarks help to set a stronger foundation for continued growth than that of a relationship with the CCP. An economically stronger Philippines rooted in capitalism is a better partner and a better ally to the United States in curbing the PRC because of the mutual interests in growth, trade, cultural, and religious ties. Finally, our study offers avenues of further analysis such as what types of investments needed to be made to strengthen our bond, impacts of infrastructure build-up in the eyes of the PRC, and potentially how our actions, political motives are viewed from a PRC perspective.

B. WHY CULTURE MATTERS

In his 1994 speech to the graduating class of the University of Pittsburgh (PITT), one of the highest decorated historians of the United States, David McCullough, spoke on innovation and the prospect of PITT beginning a new department of "Pittsburgh Studies." The intellectual value of which may at first be questioned, yet its impact on business, government, and education would be felt by Pittsburghers as what strikes the reader as an agglomeration of knowledgeable students entering the workforce understanding their city better and bringing that knowledge to bear for the benefit of society. McCullough summed up this cultural sentiment by saying, "You have to know what people have been through to understand what people want and what they don't want. That's the nub of it. And what people have been through is what we call history" (McCullough, 2018, pp. 15–24).

Homing in on this same sentiment, Michael Porter and his work on the competitive advantage of nations focuses in on the culture and innovation which can create inertia to achieve the desired strategy. The importance of culture at the personal level through the strategic level cannot be underestimated and is a fundamental aspect of any future relationship, especially between the United States and the Philippines. Culture

and entrepreneurship are seen as part of the life blood of the United States, particularly at the local level. It is here that the spirit of America and “the pursuit” that its founding fathers talked about lays, understanding that same passion between the Filipino culture and its people is where the meat of innovation lies to foster natural, not just financial, relationships. Doing so will strengthen other bonds between the United States and the Philippines while simultaneously germinating an economic landscape that no longer requires or desires to be beholden to the carrot and stick tactics of the Peoples Republic of China.

C. BENEFITS OF RESEARCH

The United States has had a long-standing connection with the Philippines, sharing a rich historical background and a common bond more so than any other country in Southeast Asia. A part of that relationship is through the Mutual Defense Treaty, obligating the United States to protect the Philippines in the event they are attacked. The geography of the Philippines “is one of the most strategically located nations in the Western Pacific and has long been key to the control of the waters, airspace, fishing grounds and vast undersea resources of the region. The analysis will show sectors where the United States can specifically add value through a targeted approach using the CAGE Model and Porter’s Diamond Model. An additional benefit from the research will be an example using two well-studied and tested models showing how they can be used in replicating tailored approaches to other alliance-building attempts.

D. ORGANIZATION OF STUDY

Chapter II analyzes the background of China’s involvement and intentions with the Philippines, including “Gray Zone” warfare. To establish a baseline, we research the history of the Philippines including the history of the United States in the Philippines at Clark Air Force Base, Subic Bay Naval Base, the significance of the Philippines during the Vietnam War, and the significance of the cultural and economic ties between the two nations. With this baseline knowledge, we introduce the reader to the classic diamond model found in Michael E. Porter’s *The Competitive Advantage of Nations*. For there, we delve deeper to investigate a more direct approach using Pankaj Ghemawat’s The

Cultural, Administrative, Geographic, and Economic (CAGE) Distance Framework. Finally, we end the chapter with the historical significance of the United States and Philippines Mutual Defense Treaty.

Chapter III analyzes the critical assumptions of our research into the United States and Philippine relationship. We focus on our core three research questions of First, why must the United States care from a national security and alliance perspective about an economically stronger Philippines? Second, what does this mean strategically for the United States' influence in the Southeast Asian region? Finally, what geo-political vulnerabilities can be leveraged to strengthen the United States and the Philippines relationship?

Chapter IV analyzes trade trends and barriers to entry within the Philippines. What are things or processes that the Philippines can do to expedite the openness and cooperation that nations and corporations are looking for in a viable entrepreneurial venture and trade partner? A few topics discussed will be the efforts already undertaken by the current administration under President Duterte with the relaxation of the Foreign Investment Negative List (FINL) and the creation of the Anti-Red Tape Authority. Additionally, the ASEAN have been in the process of ratifying measure to help deregulate and liberalize trade with member nations, but progress has been slow and outside sources have been met with resistance in the local markets.

Chapter V provides a conclusion of our research. In addition, we offer tangible recommendations to boost future relations between the United States and the Philippines. Finally, we provide options for further study surrounding issues in the era of Great Power Competition between the United States and China.

E. SUMMARY

In Chapter I, we have laid out the framework to expand upon cultural, economic, and historical examples that the United States can leverage to create a mutually beneficial relationship and simultaneously thwart the actions of the CCP sweeping through Southeast Asia. Using examples from current publications from the United States Government, nature, world renown strategists and authors, the underlying tone to the

importance of culture and innovation is set to explore what the United States can do to grow its national security while simultaneously growing its relationship with the Philippines. To better understand the events leading to our research, Chapter II will explain the background of the relationship between the United States and the Philippines, while examining China's intentions in Southeast Asia and globally.

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II. BACKGROUND

The United States and the Philippines have an intertwined history and to this day, have the strongest relationship between a Southeast Asian nation the United States. It is important to understand this backdrop to understand the multiple forces impacting decisions throughout Southeast Asia and specifically that which impacts the relationship between the United States and the Philippines. Section A discusses China’s strategy and the importance of executing it in the Philippines as a part of their greater strategy of the China Dream. Section B brings the long history of the Philippines into light and how this influences actions today. Section C explores what operations from the Philippines into Vietnam met for the United States’ power projection. Section D provides insight into the culture of the Philippines as an element of strength in relationships with the United States and the economy of the Philippines which embodies the foundational requirements for innovation through the twenty-first century in an evolving global marketplace. Section E explores Michael Porter’s Competitive Advantage of Nations highlighting what the skilled labor, access to rising capital, and foundational infrastructure represent advantages for the Philippines to continue to conduct business with the United States and allied nations. Section F brings Ghemawat’s Cultural, Administrative or Political, Geographic, Economic Distance (CAGE) Model into light for exploring what these mean to the United States and the Philippines. Section G delves deeper into the cultural, administrative, and economic distances representing areas of opportunities to further inertia between the two nations. Section H brings the metaphor, “What’s old is new again” into focus with the historical significance of the Mutual Defense Treaty between the United States and the Philippines serving as a beacon of stability.

A. CHINA’S STRATEGY AND THE IMPORTANCE OF EXECUTING IT IN THE PHILIPPINES

“The need for a grounded understanding of China’s intentions and strategy has never been more urgent. China now poses a challenge unlike any the United States has ever faced” (Doshi, 2021). Throughout its history, China has employed numerous strategies to achieve its national objectives. Whether it was creating “The Great Wall” to

keep out the Mongols, “The Great Leap Forward” which caused the deaths of millions of Chinese citizens, or “The Great Reset” which serves as part of the “China Dream” in an effort to elevate China in conjunction with the World Economic Forum to surpass the United States as the world’s leading power while simultaneously restructuring the world’s economic functionality to lean toward favoring China and the East in what has been termed by CCP leaders as the “World Dream” (Heath et al., 2021). Strategies China has used over the course of their history have changed, yet all were in the effort to serve the country or an elite political body of the country.

As a testament to the willingness of China to do what is necessary to be the “Preeminent Power” internationally, as part of their “China Dream” is backed by the economic arm (or warfare) portion of the “China Dream” strategy with the Belt and Road Initiative and Maritime Silk Road. These aspects of China’s overarching strategy represent an emergingly common area in warfare, “The Gray Zone.” “The gray zone is the space below the threshold of major war, or ‘the operational space between peace and war’” (Petersen, 2021). The gray zone represents the most probable and predominant method of warfare in the twenty-first century and is further described by the author as a “multi-domain, whole-of-government engagement to achieve political objectives while avoiding conventional military confrontation. The gray zone is this battlespace: neither declared war nor uncontested peace” (Petersen, 2021).

“When one adjusts for the relative price of goods, China’s economy is already 25 percent larger than the U.S. economy. It is clear, then, that China is the most significant competitor that the United States has faced and that the way Washington handles its emergence to superpower status will shape the course of the next century” (Doshi, 2021).

B. HISTORY OF THE PHILIPPINES

Evidence of trade between the Philippines and China was first discovered during the Tang Empire from 618 to 907 AD but is documented as increasing significantly during the rule of the Song Empire which lasted from 960–1279 AD (Glover & Bellwood, 2006, p. 267). As the 15th Century came to be, Islam was brought to the Philippines via the Sulu Archipelago (Robert Day Mcamis, 2002, pp. 18–25). Westerners

enter the conversation with the discovery of the Philippines, then named San Lázaro, by the Portuguese explorer Ferdinand Magellan, following a four-year voyage, in 1521 in the name of Spain. Magellan's discovery also led to his death at the Battle of Mactan that same year (Zaide & Zaide, 2011). Named, Las Islas Filipinas, in 1543 by Ruy López de Villalobos, a Spanish explorer, in honor of Spain's King Philip II, this would set in motion more than 350 years of Spanish influence, culture, and rule throughout the Philippines (Ambrosio, D. L., 2008). It was not until the Spanish-American War in 1898 that Spanish rule in the Philippines ended, as the Philippines were ceded to the United States at the conclusion of the war (Beede, 1994, p. 289).

The United States and the Philippines had a rocky relationship through most of its time as a colony, yet in 1935 brought the establishment of Commonwealth status secured through "the Tydings-McDuffie Law which set a 10-year transition period starting from 1935 toward an independent Philippines by 1946" (Lai To Lee & Zarina Othman, 2017, p. 145). Beginning in 1941, the United States joined Filipinos in fighting a common enemy of the Japanese. Throughout World War II, images of General MacArthur fleeing on a Navy Patrol Torpedo (PT) boat in 1942 and subsequently returning in 1944, the atrocities of the Bataan Death March on allied troops, and iconic battles like the Battle of Leyte Gulf often shadow the massive casualties suffered by the Philippines with numbers estimated over one million killed (Gaerlan, 2020).

Following the conclusion of World War II, the Philippines, as previously determined in 1935, became an independent nation on July 4, 1946, with the Treaty of Manila (Philippines, 1946). With the onset of a new nation came the struggles of growth, corruption, injustice, violations of human rights, and this was amplified during the Ferdinand Marcos administration and culminated with the assassination of his primary political opponent Benigno Aquino Jr. in August 1983 (Timberman, 1987) and ouster from the country during the "People's Power" Revolution in 1986 (McGeown, 2013). The "People's Power" Revolution resulted in the installment of Aquino Jr.'s wife, Corazon Aquino, as the eleventh President of the Philippines. During her term as president, she was viewed as a stabilizing force as "She pledged to restore democracy and human rights, pursue a peaceful solution to the insurgency, encourage a free, but

equitable economy, and honor the agreement on military bases with the United States until its expiration in 1991. But it was her sincerity, commitment and courage, probably more than any of her policies, that held such strong appeal to the average Filipino” (Timberman, 1987, p. 5).

Under President Corazon Aquino, the Philippines did honor their agreement with the United States for military base leases, however the national sentiment at in 1991 was one of nationalism, complicating negotiations for the two countries. This combined with increasing violence toward U.S. servicemembers, including the murder of two Air Force Airmen at the hands of a radical Communist group known as New People’s Army (NPA) put servicemembers and their families on edge with the threat of NPA terrorist activity. Adding further to the tensions, a large difference in price negotiations, even after six rounds of negotiations, for future leases as “The Philippines wanted \$825 million per year for seven years, but the U.S. wouldn’t budge from \$360 million per year for 10 years” (Olson, 2013).

With priorities of the United States changing at the end of the Cold War, President George H.W. Bush’s administration was prepared to leave its military bases behind and move on. The straw that finally broke the negotiations back occurred on 15 June 1991 with the eruption of Mount Pinatubo. Volcanic ash began to fall two months earlier, after the top blew from Mt. Pinatubo covering everything along the countryside, Clark Air Force Base, and Naval Base Subic Bay. At Clark Air Force Base, buildings upon buildings were damaged and more than one hundred were destroyed, driving the Pentagon to decide to close the base. With the negotiations for Subic Bay still on the table, the Philippine Senate did not ratify any further agreement. Subic Bay officially closed for the U.S. Navy in 1992 (Olson, 2013). Following this act, the U.S. Navy would still make port visits to the Philippines, but a forward presence had not been permanently reestablished.

The Philippines relationship, under President Rodrigo Duterte, have soured with the United States more than during previous Filipino administrations and is more favorable to the PRC than in the past. This is mainly due to the various types of funding being provided by the PRC. One example is the recent agreement between the Philippines

and China for infrastructure funding, ironically to “formally signed off on a deal to build a railway linking two former U.S. military bases on the island of Luzon. The 71-kilometer single-track freight line will link Subic Bay Freeport Zone and Clark International Airport, which once housed two of the largest American military bases outside the U.S. Chinese Ambassador Huang Xilian described the \$940 million railway as the biggest Chinese government-funded project in the Philippines to date” (Strangio, 2021). Actions like these will continue to make it more difficult for the United States to curb Chinese influence throughout the Philippines, let alone deny additional Chinese economic actions.

Despite the efforts of President Duterte, China’s aggression in the South China Sea and specifically against the Philippines, has forced the Duterte administration into a difficult geopolitical situation leaving the United States with another opportunity to foster deeper relationships with the Philippines (Grossman, 2021). The United States left Subic Bay Naval Base in 1992, but since then there have been arguments to reestablish the U.S. Naval presence back in Subic Bay (Garcia, 2001). United States military presence in the Philippines under the Visiting Forces Agreement (VFA) long-term remains in question under President Duterte, however, as a counterweight to recent Chinese aggression the decision to suspend the termination of the VFA for a third time serves as a hopeful sign (Venzon, 2021). Subic Bay, however, is within ballistic missile range of no less than two thousand ballistic missiles in China’s arsenal (Missile Defense Project, 2018). With this factor considered by defense planners, a fortification mindset of “when you can’t hide you have to harden” could be implemented in partnership somewhere else less vulnerable in the Philippines, e.g., the Zamboanga del Norte or Zamboanga del Sur Provinces. How this looks for the Philippines and the United States could draw on the example of Norway and their caves used for United States Marine Corps pre-positioning gear, bringing infrastructure funds and jobs to help create and maintain such an endeavor (Bergen, 2019). The concept of naval fortressing is not new. It has been proposed as part of Vietnam’s sea denial strategy and has been implemented at Yulin Naval Base on Hainan Island for the PRC (Wu, 2017). What remains blatantly obvious, is the power struggle

between the United States and China throughout Southeast Asia that will be contested each time an opportunity presents itself.

Since the United States relies on trade from other nations, the United States will have a vested interest in Southeast Asia, the South China Sea's flow of economic goods, and this area of the world's requirement to maintain the ability to protect the conjoined interests of its partners. Geographically, the economic ties the United States has to ASEAN hold deep roots throughout the countries of this region. Maritime countries of ASEAN have experienced an economic cushion by having ties to the United States through the pandemic, even as a surge in piracy throughout the Malacca Strait, the Sulu Sea, the Celebes Sea, and the Gulf of Thailand has occurred following the economic decline (Long, 2020). With these issues and all the aforementioned friction points throughout Southeast Asia, the South China Sea is busier than a hornets' nest and the stakes for the Philippines and the United States, both regionally and globally with the backdrop of a rising China, have never been higher.

C. UNITED STATES AND PHILIPPINES DURING THE VIETNAM WAR

Underscoring the United States once closely tied relationship to the Chinese people, following the end of World War II, the United States moved the Headquarters of the Seventh Fleet to Qingdao, China (Wang & Bell, 2021). As the balance of power shifted from the Nationalists to the CCP, the United States moved the Seventh Fleet Headquarters to Subic Bay Naval Base. The prior civil-military relationship of the Philippines and the United States during the Vietnam War provide an insight into the value of a forward U.S. military presence for operations in the South China Sea. Throughout the Vietnam War, six minor bases, as well as the home of the United States' Seventh Fleet was at Subic Bay Naval Base and Clark Air Force Base provided a home to U.S. B-52 bombers to operate from. It was from these locations primarily that U.S. military assets would have a strong logistical footprint capable of providing the maintenance requirements to support U.S. air power. "The 18,400 U.S. military personnel are being assisted by almost twice that number of Filipinos, making the Pentagon the

second largest employer in the country and the source of about one-fifth of the nation's foreign exchange income" (Kolko, 1973).

The importance of the United States in the Philippines during the Vietnam represented "a fundamental element in the U.S. security posture in the Western Pacific" (Kolko, 1973) years ago and in an era of Great Power Competition this thought process is taking hold on the global stage once again.

D. PHILIPPINE'S CULTURE AND ECONOMY

The culture weaves a relaxed environment for multicultural integration. Like other Asian countries, the family is the main cornerstone that penetrates all aspects of life. Under President Rodrigo Duterte, the country has exhibited "pragmatic opportunism" relating to China and the United States (Teehankee, 2021). The country is attempting to maximize their benefits through strategic competition and strategic cooperation while playing the two super-powers off each other. Unfortunately, the Philippines has carried a negative stereotype among Asian countries where they are looked down upon also known as the "sick man" (World Trade Press, 2010b). The country supplies many people to the service industries for the other larger Asian countries fueling this stereotype. Behind this stigma, both the U.S. and China are prime candidates and can rise to assist them in their development.

Shifting to the economy, it is varied but finds strong roots with tourism, real estate, finance, and insurance industries (World Trade Press, 2010b). The country benefits from a younger population and increasing urbanization. They have been enjoying steady growth between 4–6% annually for almost two decades (World Trade Press, 2010b). The Philippines, like most countries, experienced some contraction due to the COVID-19 attack (Yan et al., 2021) but likely will rebound as travel restrictions are relaxed and the world moves towards normalcy. Some major hurdles impact their ability to grow such as poverty, poor or lacking infrastructure and corruption. The Duterte administration has been embroiled with scandals involving health secretary Francisco Duque III, chairman of the Philippine Health Insurance Corporation (PhilHealth) (Teehankee, 2021) leading to a delay in support required to combat the on-going

pandemic. Investigators allege around 14 billion Philippine pesos (\$288 million) have been improperly released leading to the Senate recommendation to fire all regional directors due to their participation in fraud schemes (Aspinwall, 2020). Ongoing reforms have been set in motion to address their domestic issues.

Religion remains a strong focal point among the Filipino people. Religion is dominated by Roman Catholicism, and it makes up 80 percent of the countries citizens while other Christian denominations make up 10 percent. The remaining 5 percent observe the Sunni branch of Islam (World Trade Press, 2010b). Government affairs are separated from religion, but religion remains a dominate force among the culture and highly influential. Catholic clerics hold a significant amount of power because their authority is widely accepted. There have been some observed situations where the Sunnis have experienced some discrimination, main because of the interactions between families or friends in smaller villages (World Trade Press, 2010b). As secularism grows in the West, the U.S. and the Philippines may find the cultural distance growing. “The religiously unaffiliated, called “nones,” are growing significantly. They’re the second largest religious group in North America and most of Europe. In the United States, nones make up almost a quarter of the population. In the past decade, U.S. nones have overtaken Catholics, mainline protestants, and all followers of non-Christian faiths” (Bullard, 2016).

The Philippines has shown steady growth as a country and their economy, yet it is known as the “sick man” of Asia for a reason. They are aggressively attempting to quell corruption and improve the general quality of life for their people. President Duterte’s administration will transition to new leadership in 2022. More prosperity is anticipated even after the extremely popular and highly accepted Duterte departs.

In the next section, we will introduce Pankaj Ghemawat’s cultural, administrative or political, geographic and economic distance (CAGE) model. One of the main frameworks in which we will analyze the relationship between the United States and the Philippines.

E. GHEMAWAT'S CULTURAL, ADMINISTRATIVE OR POLITICAL, GEOGRAPHIC, ECONOMIC DISTANCE (CAGE) MODEL

Pankaj Ghemawat was born in India and spent a portion of his childhood there and in Indiana during the time his father was attending Purdue University. “After entering Harvard as an undergraduate in the 1970s, Ghemawat remained to get a Ph.D. in business economics, became a protégé of strategy theorist Michael Porter and negotiation pioneer Roger Fisher, and in 1991, at age 31, became the youngest academic ever to be appointed a full professor at Harvard Business School (Kleiner, 2008).” The linkage between Michael Porter and Pankaj Ghemawat from their early days at Harvard provide the foundational thought process for the United States and the Philippines to grow their relationship using a unified strategy. Porter’s stance brings to bear the cultural and innovative aspects of nations while Ghemawat’s focuses on the deliberate intention of what makes sense for the business relationships in each individual sector concerned in bilateral transactions of nations. Ghemawat further describes distance which is the differences identified between industries. It is not limited to the realm of physical measure or geography but includes cultural, administrative and economics aspects. Ghemawat said, “to make any global strategy actionable, you have to go down to the industry level and think about what kinds of distances matter the most and about your strategies for addressing those distances” (Kleiner, 2008). For instance, the industries of public utilities and power production as highlighted in, *Realizing the ASEAN power grid through unbundling: takeaways from the Philippines’ and Singapore’s experience* (Aris & Jørgensen, 2020), are two competition-driven industries that benefit from cultural and economic distances. Due to this competition, cultural and economic distances negatively impact business decisions. Foreign competitors are not able to penetrate the market due to language, customs, traditions, business practices and government hurdles. A local competitor will not need to bridge the gap created by these distances and should have favorable conditions to receive the benefits.

Below, we will detail the four aspects of distance. They are essential considerations and need to be incorporated when any country or business is making informed business decisions.

1. The Four Dimensions of Distance

In the following subsections, we will discuss in greater detail Pankaj Ghemawat's Four Dimensions of Distance and their impact on the relationships between the United States, the Philippines, and China. These four dimensions include Cultural Distance, Administrative or Political Distance, Geographic Distance, and Economic Distance. The following breakdown of Ghemawat's Four Dimensions of Distance set the context in which our analysis will be based in Chapter IV.

a. Cultural Distance

The first of Ghemawat's elements of the CAGE model begins with Cultural Distance described as "A country's cultural attributes determine how people interact with one another and with companies and institutions. Differences in religious beliefs, race, social norms, and language are all capable of creating distance between two countries" (Ghemawat, 2001). Cultural Distance represents the biggest opportunity for the United States and the Philippines to further their relationships based on their respective ties of language, religion, and social norms e.g., the same music and movies are enjoyed. With a large population of Filipino's becoming American citizens and serving in the military, specifically, the Navy, these cultural distances are favorable to growing relationships.

b. Administrative or Political Distance

Ghemawat's second part of the CAGE Model covers Administrative or Political Distance represented through, "Historical and political associations shared by countries greatly affect trade between them" (Ghemawat, 2001). This area represents vulnerability for American and Filipino relations as political administrations shift along with priorities of the day. Through political hostilities, government policies such as the Status of Forces Agreement and the Mutual Defense Treaty, the constant falling in and out of favor with each other represents what reflects to the respective populations as institutional weakness.

Filipino government intervention in industries such as the electricity industry highlight roads to success, however bumpy they may be, due to the necessity of electricity to be present for industries in the services sector to be viable and relevant on

the global stage. Due to the high tensions surrounding the South China Sea and Sino-Filipino relations in disputes over territory throughout the South China Sea, sectors involving heavy government involvement such as the telecommunications industry and the defense industry hold promise for increased American and Filipino interests to align.

c. Geographic Distance

Ghemawat's third portion of the CAGE Model highlights the importance of Geographic Distance meaning, "In general, the farther you are from a country, the harder it will be to conduct business in that country" and goes more in-depth of the things to further consider "size of the country, average within-country distances to borders, access to waterways and the ocean, and topography. Man-made geographic attributes – most notably, a country's transportation and communication infrastructures" (Ghemawat, 2001). As one can see in Figure 2, the nations that make up the ASEAN are closely linked by the sea but it's these valuable nautical miles that create this heated environment. Like the Administrative part of the CAGE Model, Geographic Distance represents a disadvantage to the United States in comparison to the People's Republic of China when it comes to trade between the two countries.

The China has been trading with the Philippines based on some accounts dating back to Tang Dynasty which ruled China between 618 and 907 (Glover & Bellwood, 2006). The close distance between China and the Philippines creates less risk for goods and services to be affected in shipment to market conditions around pricing raw materials and other high-density low-dollar bulk goods. A robust infrastructure and well-functioning supply chain are critical to the trans-pacific flights and cargo ship movements required to maintain the United States as a top trading partner with the Philippines.



Figure 2. Southeast Asia Map. Adapted from Vector Stock (2021).

d. Economic Distance

Finally, with the fourth part of the CAGE model Ghemawat explains Economic Distance as “the wealth or income of consumers is the most important economic attribute that creates distance between countries, and it has a marked effect on the levels of trade and the types of partners a country trade’s with” (Ghemawat, 2001). This is income differences between countries, i.e., wealthy countries tend to trade more with each other. Despite a big distance between the U.S. and the Philippines, the other CAGE factors

appear to be strong enough that the Philippines consistently has the United States as its top three trading partners. The United States trades significantly less with the Philippines in comparison to that which it does with China. This represents an opportunity for growth between both countries as the Philippines work to continually shift their economy to a service and manufacturing driven core. Shifting supply chains and changing global markets are a catalyst for the United States to diversify its trade imbalance with China and solid allies like the Philippines stand to gain to most from this line of thought.

F. PORTER'S COMPETITIVE ADVANTAGE OF NATIONS

Michael E. Porter is considered by some to be the father of many competition concepts and models for economics studies throughout the world. He is most known for his studies and conceptual model called the Five-Forces model (Sölvell, 2015). In 1990, his studies led him to develop the Diamond Model that provides a better explanation for differences between the economic success of different countries. The main four parts of the Diamond Model are: 1. Factor conditions, 2. Demand conditions, 3. Related and supporting industries, and 4. Firm strategy structure and rivalry. Additionally, there are two other components which are: chance and the government. Both can drastically impact the fortunes of businesses positively or negatively, but they do not create the competitiveness that the industry or market creates (Business-to-you, 2018). One of the fundamental points of the Diamond Model is that competition breeds stronger firms and relationships domestically and internationally as they are constantly driving innovation to maintain or grow their competitive advantage.

1. Four Attributes of the Diamond Model

In the following subsections, we will explore Michael Porter's Four Attributes of the Diamond Model and their relevance to the relationships between the United States, the Philippines, and China. These four attributes include Factor Conditions, Demand Conditions, Related and Supporting Industries, and Firm Strategy, Structure, and Rivalry. These attributes will provide the context for our analysis of the Philippines found in Chapter IV.

a. *Factor Conditions*

Factor Conditions are described by Porter as “the nation’s position in factors of production, such as skilled labor or infrastructure, necessary to compete in a given industry” (Porter, 1990). It is these conditions mirrored with “factors of production which include land, labor, natural resources, capital, and infrastructure that will determine the flow of trade” (Porter, 1990). In 2021, the Philippines ranks seventy-third for its economic freedom, with a score of 64.1 placing it between the countries of Costa Rica and Kuwait; twelfth of forty Asia-Pacific countries. In comparison Singapore, ranked number one, with a score of 89.7. This score helps to provide a near real-time status of the Rule of Law, Government Size, Regulatory Efficiency, and Open Markets creating a broad overview of Porter’s description of the factor conditions of the Philippines (The Heritage Foundation, 2021).

b. *Demand Conditions*

Porter’s second attribute, Demand Conditions are described as “the nature of home-market demand for the industry’s product or service” (Porter, 1990). While describing the competition associated with globalization Porter goes onto say, “the composition and character of the home market usually has a disproportionate effect on how companies perceive, interpret, and respond to buyer needs” (Porter, 1990). Due to the COVID-19 pandemic, the Philippines saw an economic contraction of 4.2 percent year-on-year during the first quarter of 2021. This decline was driven by weak domestic demand stemming from COVID-19 “containment measures, weak confidence, and rising inflation” (The World Bank, 2021).

c. *Related and Supporting Industries*

Porter’s third attribute, Related and Supporting Industries are explained as “the presence or absence in the nation of supplier industries and other related industries that are internationally competitive” (Porter, 1990). According to Porter this is achieved through three different reasons. First, it delivers “the most cost-effective inputs in an efficient, early, rapid, and sometime preferential way.” Second, the advantage is based on “close working relationships” and it is here that Porter presents the concept of

“clustering.” His example uses the Italian Footwear Cluster, which leverages geography and the requisite skillsets required to bring sought-after Italian leather footwear to market in the most efficient way. Finally, Porter states that a “nation’s companies benefit most when the suppliers are, themselves, global competitors” further stating that it is “self-defeating for a company or country to create ‘captive’ suppliers who are totally dependent on the domestic industry and prevented from serving foreign competitors” (Porter, 1990). As the Philippines contuse to shift more from an economy rooted in agriculture to one of services, the cluster most appropriate for the Filipino people has yet to breakout.

d. Firm Strategy, Structure and Rivalry

The fourth and final broad attribute from Porter centers around Firm Strategy, Structure, and Rivalry covering “the conditions in the nation governing how companies are created, organized, and managed, as well as the nature of domestic rivalry” (Porter, 1990). Emphasizing the importance of managerial systems, Porter stresses “competitiveness in a specific-industry results from convergence of the management practices and organizational modes favored in the country and the sources of competitive advantage in the industry” (Porter, 1990). Using best practices of companies from the United States throughout sector specific markets, opportunities to create tailormade solutions based on what is best for the Philippines presents an opportunity for the United States and Philippines to further grow their relationships culturally and economically. It is in this spirit that spawns desire for innovation and future growth between the United States and the Philippines albeit periods of rocky tension.

With the concept of Pankaj Ghemawat’s CAGE model focusing on distance within sectors and specific products within industries, it sets the groundwork for a more in-depth analysis of Michael Porter’s Diamond Model which provides the next logical step to advancing the study of the Philippines economic growth. It is in the CAGE model and Diamond Model that the United States and the Philippines have the most opportunity to create the competitive advantage that will advance the prosperity of both nations while mitigating the rising threat of the CCP’s influence throughout Southeast Asia.

G. HISTORY OF THE UNITED STATES AND THE PHILIPPINES MUTUAL DEFENSE TREATY

In a meeting between the defense secretaries of the Philippines and United States Secretary Austin said, “The Philippines is a vital treaty ally. Our countries face a range of 21st century challenges, and cooperation is key to the security, stability and prosperity of the Indo-Pacific” (Vergun, 2021). This year, 2021, marks the celebration of seventy years of the mutual defense treaty between the United States and the Philippines. The treaty was signed in Washington, D.C., on August 30, 1951, which formalized the shared sediments. The occasion has been marked as a triumph between the two nations and a springboard for future prosperity of both nations assured security. Reflecting an upbeat prospect for the future of the treaty alliance, Philippine Defense Secretary Delfin N. Lorenzana said, “Regional instability necessitates a network of effective alliances and defense partnerships” (Vergun, 2021).

H. SUMMARY

China’s strategy and the importance of executing it in the Philippines, encapsulates the greater strategy of their China Dream. China has a long history with the Philippines, yet the United States’ shorter relationship yields greater cultural ties and historical relevancy. These close ties were evident during the Japanese invasion of the Philippines during World War II and carried forward with sustained operations in support of the Vietnam War. The culture of the Philippines is an element of strength in relationships with the United States, the economy of the Philippines embodies the foundational requirements for innovation through the twenty-first century for an evolving global marketplace.

In Michael Porter’s Competitive Advantage of Nations, the skilled labor, access to rising capital, and foundational infrastructure represent advantages for the Philippines to continue to conduct business with the United States and allied nations. Inside Ghemawat’s Cultural, Administrative or Political, Geographic, Economic Distance (CAGE) Model and the cultural, administrative, and economic distances represent areas of opportunities to further inertia between the two nations. With a rapidly evolving geo-

political landscape throughout Southeast Asia and competing forces expressing increased interest, the historical significance of the Mutual Defense Treaty between the United States and the Philippines serves as a beacon of stability. These topics combined to set the picture for our analysis of our three primary research questions and the assumptions required to strengthen and grow the relationship between the United States and the Philippines in Chapter III.

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III. ASSUMPTIONS ABOUT THE UNITED STATES AND PHILIPPINES RELATIONSHIP

In 1991, China’s leaders secretly used a Warring States proverb, tao guang, yang hui. When the document containing this phrase leaked, Beijing translated it as the cryptic and generic “bide your time, build your capabilities.” But in its proper context, the proverb actually alludes to overturning the old hegemon and exacting revenge, but only once the rising power has developed the ability to do so.

—Dr. Michael Pillsbury (United States-China Economic and Security Review Commission, 2018)

To dive deeper into the relationship between the Philippines and the United States, we are going to answer three questions. Section A begins with, why does the United States care about a stronger Philippines through a national security and alliance lens? Section B asks, what does a stronger Philippines mean strategically for U.S. influence in the ASEAN region? Section C ends with what vulnerabilities can be leveraged to strengthen the relationship.

A. WHY SHOULD THE UNITED STATES CARE FROM A NATIONAL SECURITY AND ALLIANCE PERSPECTIVE ABOUT AN ECONOMICALLY STRONGER PHILIPPINES?

From a national security and alliance perspective, the United States cares about a stronger Philippines because all of our major strategic policy doctrine centers on the Chinese and the Southeast Asian region so its strategic location is essential for execution of our plans. The U.S. also cares because it needs to build more avenues to diversify its supply chain and a stronger Philippines offers a primed location for development. The historical ties between the United States and the Philippines stemming back over 100 years represent interwoven roots that have significant potential to grow stronger together. An economically stronger Philippines helps to create an atmosphere that is less dependent of China and better capable to control its own destiny.

a. *National Security Implications*

The United States continues to signal through various guidance documents such as the Design for Maintaining Maritime Superiority 2.0 and the guidance released from Secretary of the Navy entitled One Navy-Marine Corps Team: Strategic Guidance from the Secretary of the Navy in which he states, “Of the four, the long-term challenge posed by the People’s Republic of China is the most significant for the Department” (Del Toro, 2021). In this context, the area of gray zone warfare returns to signify the ongoing, unconventional operations being waged to exert dominance throughout the South China Sea and spreading throughout the globe.

The United States shares close historical ties to the Philippines. The Philippines geographical location is central to the Southeast Asian Region and provide the U.S. with a strategic jump off point to address regional issues vital to our allies and national defense. If the United States were to be forced out of the Philippines due to the coercive methods of the CCP, the National Security implications would be significant and ripple through our remaining alliances in the region, specifically, those between the United States and Australia, Japan, and Korea.

Gen Emmanuel T. Bautista, former chief of staff of the Armed Forces of the Philippines, said, “The Philippines will remain valuable to the U.S. in terms of power projection, legitimacy, and creditability” (Center for Strategic & International Studies, 2021). The Philippines represents a strategic location for the United States to continue to project power in Southeast Asia, whether current and future administrations of the United States want to continue to do so. It does not negate the defense treaties the United States has with the Philippines, Japan, Australia, New Zealand, and Thailand in the region and the long-standing relationship with Taiwan as laid out in the Taiwan Relations Act of 1979, Taiwan Travel Act of 2018, and the Taiwan Allies International Protection and Enhancement Initiative Act of 2019 also known as the TAIPEI Act.

b. *What Does an Economically Stronger Nation Look Like?*

Singapore has been a shining example of what a strong, prospering Southeast Asian nation looks like over the last few decades. It has not always been the case but very

conscious decisions made by their government, such as the establishment of the Economic Review Committee, have helped the country navigate the rough economic waters and the perturbations felt around the world (Porter et al., 2013). But what are some of the reasons that they have maintained such a high standard and established themselves as a powerhouse nation? The government make decisive actions to unify the country. Some of the more important actions were creating a means to purchase housing, creating jobs and emphasizing education. The government also built in ways for the populations to have a long-term stake in the nation and to reinforce commitment. This included mandatory compulsory service in the Singaporean Armed Forces and employee/employer contributions to the Central Provident Fund (CPF), a social security measure (Porter et al., 2013). Based on these crucial actions by the government, the country of Singapore enjoys ranking as the top country for ease of doing business, trading across borders and employing workers. They also have some significant competitive advantages such as high quality of education, regulatory quality, intellectual property protection, quality of air transportation infrastructure as well as port infrastructure. Singapore provides a solid snapshot of an economically stronger nation (Porter et al., 2013, as cited in Schwab, 2009).

A stronger Philippines should look to emulate measures taken by the Singaporean government. It stands a good chance to become a nation that has a reputation for human rights, just laws and enforcement throughout, meets the basic needs of its population, possesses a strong infrastructure that fosters growth and prosperity, foundation for an excellent and relevant education system and finally adheres to its constitutional and founding documents to ensure liberty for all. A Philippines that is able to achieve measurable progress in developing, while preserving their cultural heritage, provides a strong foundation as an ally and market in which to conduct business in the twenty-first century.

c. Strategic Alignment

A second reason is an economically stronger and independent Philippines could offer other developing countries a better alternative rather than pursuing business with the

PRC. More importantly for the U.S. and Philippines, it could support the United States' efforts to decouple our supply chain with Chinese industry, a reliance that could manifest as a vulnerability in the years to come and amid growing tension among the two states. As the economic hegemon for the Asian continent, the PRC wields much influence over the smaller and weaker developing countries and when needed it dictates the playing field. If other foreign countries and outside investors are enticed to join or expand trade and commerce with the Philippines rather than the PRC, the dynamic can open toward shifting away from dependency. As Moon (2009) explained for Vietnam, in reducing the ways that they are reliant on the PRC will prevent them from falling into a situation where the PRC can leverage the connections made by their cross-border infrastructure development to their benefit. It will take much effort over years, but the Philippines has shown openness, along with the ASEAN, to open the doors for better economic cooperation through deregulation and liberalization (Llanto & Navarro, 2012). The Philippines will have greater access to the global market and the economic dividends will be shared among the region, along with the United States and any investments made.

An example of a supply chain constrained sectors that could be capitalized on is 5G technology. As 5G technology becomes more available and the need for the latest and most capable chip design determines the economic success of a nation, the Philippines as a hub for advanced chip design and manufacturing helps the United States to diversify its portfolio of options to purchase from. CCP backed entities like Huawei are fighting to gain an increasing market share around the globe. "Even U.S. allies in the region, like Thailand, the Philippines, and Singapore, have not banned Huawei from their 5G networks. Part of the reason for their reluctance is the lack of an alternative. There are no U.S. brands currently making 5G equipment. The two Nordic brands are 20% to 30% more expensive than Huawei" (Kaushik, 2020). In critical infrastructure such as power grid related technology and defense focused weaponry vital to the prosperity of a nation, the Philippines should proceed with caution at consider taking the approach of Vietnam.

As an example of their steadfast resolve to avoid China being integrated into their society, Vietnam is setting an example as, "The only major nation in the region that has resisted Chinese involvement in domestic 5G networks is Vietnam. Despite close

economic ties with its northern-neighbor, Vietnam is fiercely protective of its independence and is wary of any Chinese security threat. Vietnamese telecom companies, including the state-owned Viettel, have explored the possibility of collaboration with Nokia and Ericsson rather than Huawei” (Kaushik, 2020). If the United States intends to project power from allied nations like the Philippines, Thailand, and Singapore then concurrently it should have a vested interest in where the technology infrastructure is coming from to enable their power projection in those nations.

B. WHAT DOES AN ECONOMICALLY STRONGER PHILIPPINES MEAN STRATEGICALLY FOR THE UNITED STATES’ INFLUENCE IN THE SOUTHEAST ASIAN REGION?

An economically stronger Philippines assists the United States in achieving its national security objectives and generates a stable platform in which to further assist allies in the region. Strong relationships create the foundation to project soft and hard power throughout Southeast Asia. These relationships also help to foster economic growth and technological innovation to the people of the Philippines, partners within the ASEAN, and in the global marketplace, generating unforeseen opportunities.

A resource dependent China is using its financial influence to gain footholds in nations throughout Southeast Asia to further its growth at the expense of neighboring nations. This is accomplished through unfavorable lending terms, sovereignty violations, the use of Chinese workers to execute overseas capital expenditure projects, and unconventional warfare methods to gain a strategic advantage throughout the Southeast Asian region. These efforts individually seem insignificant, yet when combined through the lens of a long-view and grand strategy working in unison to achieve these goals, the results equate to further pushing the influence of the United States out of the region.

Additionally, a tributary system and the impact of that system is not something new to Southeast Asia. The prior history of China having tributary states leads us to believe that this could be a viable way forward as part of China’s BRI or more seriously as aspect of their unrestricted warfare. In covering aspects China’s tributary system, Peter Perdue summed up its impact in today’s global impacts with the following:

In a global age, China needs a history that puts it in the world and makes its imperial past comparable to that of other long-lasting empires. In an age of pluralist democracy, we need to see the empires not simply from the point of view of the court, but the subjects it ruled—of all kinds of ethnic and religious perspectives—and especially from its closest neighbors. (Perdue, 2015)

This perspective provides a snapshot to what the history of tributary systems have been and sets a context to approach China's ambitions considering their actions around BRI. The historical reference to tributary systems is an area to care about for the United States. Nations throughout ASEAN have cautious approaches to China's ambitions in Southeast Asia. The recent development of China's launch of a hypersonic weapon, capable of delivering a nuclear payload, has grabbed the attention of nations throughout the world and especially those in Southeast Asia (Pleasance, 2021). This event could be the catalyst required to start another international arms race, the likes of which have not been seen since the Cold War between the United States and the USSR.

The Maritime Silk Road is a part of the "China Dream" and stresses the importance of the maritime domain to the CCP. Figure 3 shows the importance of the territory disputes and illustrates the historical claims of China through its Nine Dash Line. These territorial disputes represent opportunities for the United States to maintain its influence as partner with allied nations throughout the region. The disputes also represent national security concerns for the United States, as an attack on the Philippines would trigger the Mutual Defense Treaty between the Philippines and the United States. The Philippines represents a key strategic partner for the United States as their disputes with China, specifically over the Spratly Islands and Scarborough Shoal are opportunities for the Philippines to use close relationships with the United States to gain a diplomatic advantage internationally. Regionally, the Philippines can assist ASEAN nations through strengthening their position and directly countering the gray zone threat of China waging cultural, economic, and resource warfare on the other nations of ASEAN throughout the South China Sea.

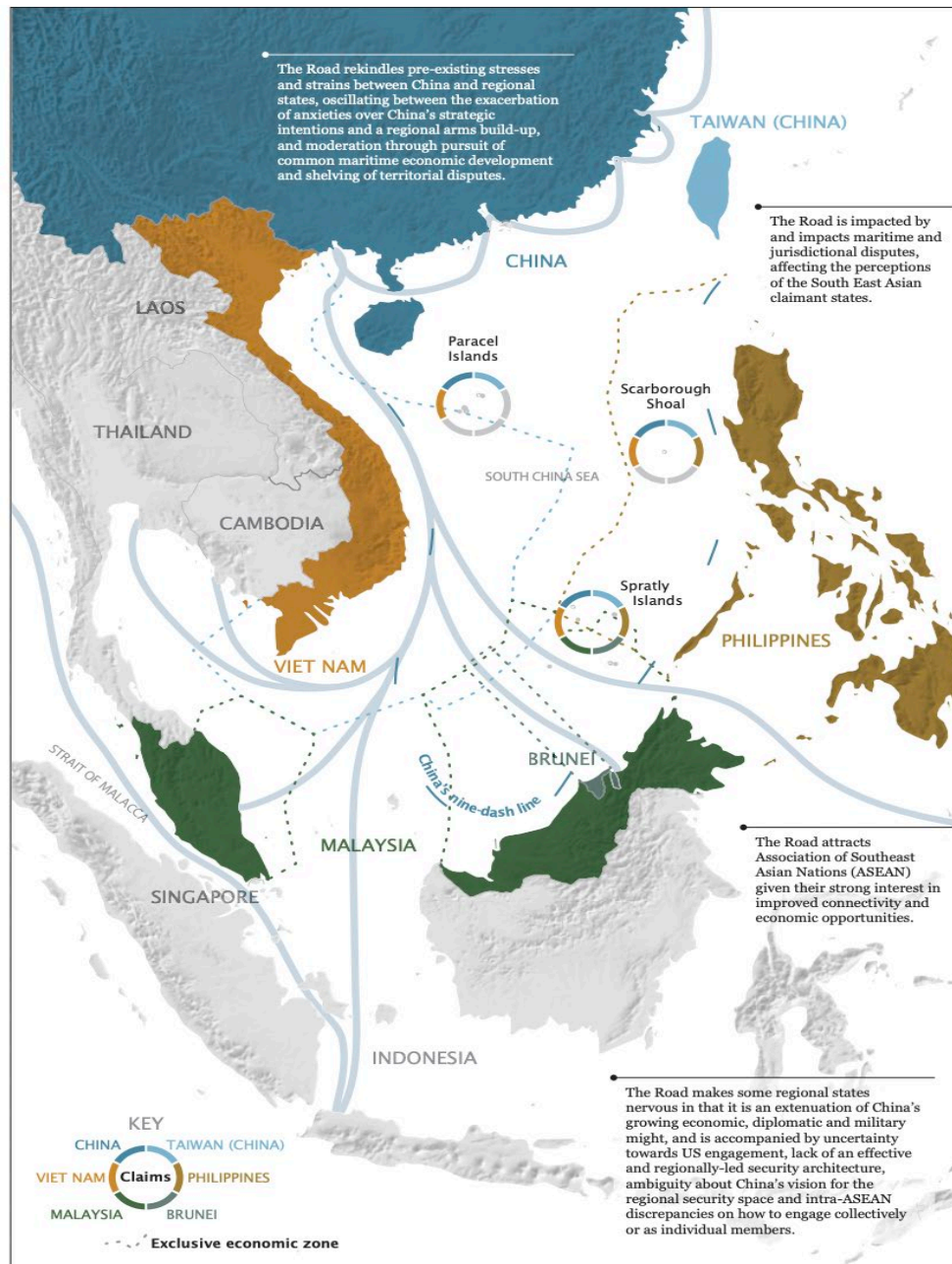


Figure 3. Map of the South China Sea illustrating Maritime Silk Road security implications Note: Dotted lines indicate an exclusive economic zone (EEZ), the blue line represents the Road. Credit: Map by Christian Dietrich. Sources: Data compiled by the authors from various sources (Ghiassy et al., 2018).

C. WHAT CAN BE DONE TO STRENGTHEN THE UNITED STATES AND THE PHILIPPINES RELATIONSHIP?

Leveraging geo-political vulnerabilities to strengthen the relationship between the United States and the Philippines allows the United States an opportunity to bring value to its allies. In the case of the Philippines, the evidence of our historical and cultural ties backed by our Mutual Defense Treaty provide a solid bond that is not easily broken. Administrations from both sides come and go but remain bound to a long-term set of common goals. This provides a platform for the vision required to achieve an advantage toward the growing threat of Chinese-rooted ambitions. A logical option is presented to maintain international norms and undercut the nefarious Chinese attempts to gain a predominant stronghold.

Corruption in weaker, unstable developing countries is a common condition. Strong leadership, transparency, and the support of the people often help set the conditions to improve issues of corruption. Presenting better situations, such as regularly meeting the basic needs of the people (Figure 4, Maslow's Hierarchy of Needs) will raise the overall standard for the conditions. As the state can meet the deficient needs at the lower levels of the triangle, the people or individuals show new motivation towards other needs thus moving up the hierarchy and eventually reaching the top tier of self-actualization (McLeod, 2018). In the case of the Philippines, the government is still attempting to meet the basic needs while staving off corruption. A partnership with the United States would allow helping solidify the government perception, the Philippine government could further work on their deficiencies. People of the Philippines would be able to obtain the higher tiers and needs associated with a higher quality of life. As discussed in Section A, some factors have made Singapore a highly attractive country, and as of 2019 data, they ranked number one over the United States. It will take much effort but with similar decisive decisions and policies as Singapore, the Philippines can achieve higher standards of living. We will dissect a few parameters according to the Global Competitiveness Index 4.0 2019 Report that the Philippines could take advantage of along with United States intervention.

1. Global Competitiveness Index

a. Infrastructure

The Philippines is in desperate need of infrastructure improvements. According to the Global Competitiveness Index 4.0 2019 edition (2019), the Philippines ranks number 96 out of 141 countries that met the minimum reporting requirement. Singapore and the United States rank number one and thirteenth, respectively. A wide range of infrastructure projects are within their grasp. Like Singapore, the government should address policy while enacting construction projects that allow the poorest of the population to achieve homeowner or flat owner status (Porter et al., 2013). In addition to addressing housing, there should be a concerted effort to address roads, ports, and airports. In the case of Singapore, the economy blossomed and the need for the port to expand was crucial to their survival. The government allocated as much funding as possible to make sure the port remained capable of processing the increasing volume of goods & traffic (Porter et al., 2013). Roads and especially airports, which will be discussed briefly later, are another hallmark that elevates the standard in a nation. With improved roadways and more extensive reach to rural areas, the people of the Philippines would be able to achieve gains above the base tier of Maslow's Hierarchy. Better roads offer opportunities for better mass transit which allows citizens to live farther from work. Worker can hold jobs that might be better paying with farther commute times compared to what they might originally have been able to find within their current route of travel. As a whole, incremental improvements to infrastructure should significantly impact the poorer segments of society faster, driving up the baseline quality of life.

b. Health

Another core indicator worth discussing is the health score. The Philippines again is ranked quite low at 102 out of 141 whereas the Singaporean's enjoy a ranking of number one overall. There are a combination of factors that equate to Singapore's high ranking for health. Singapore raised the bar for all their citizens by establishing high standards for cleanliness, air quality, waste disposal and safety. It also provides some of the best health care in the world. As the nation was developing, health was not at the

forefront of their planning, but they addressed some minimum requirements that set a strong foundation. The first of the minimum requirements was proper sanitation i.e., clean water, waste management and clean food (Haseltine, 2013). The second minimum requirement was an emphasis on controlling infectious diseases. The main tenet of that requirement was availability of medication and a vaccine program. By addressing it early, the government of Singapore avoided a disastrous pitfall for developing countries which leads to reactive government spending. In the current time, the healthcare system is often considered the model in which other countries should follow. The success is achieved by being responsive to the needs of its people. In 2011, affordability and elderly care was a primary concern and in the following year the government doubled the Ministry of Health's budget (Haseltine, 2013). Finally, an area that could help the United States as well, government of Singapore will intervene to keep costs down if the private healthcare sector fails the people (Haseltine, 2013). Singaporean citizen would have peace of mind knowing that the government is making healthcare available to all as well as policing the companies for price gouging. Tapping into this parameter helps the people settle on level two of Maslow's Hierarchy in Figure 4.

c. Market and market factors

The last parameter that both the United States and Singapore rank very well in is the market and specific aspects within the market. The average combined rank for the United States and Singapore in the segments of product, labor, financial system and market size was 3.1, with one outlier being 27 for market size for Singapore. The Philippines comes in with an average ranking of 41.25. Its ranking is much better than the two previous parameters but still shows much room for improvement. In Vietnam, they have been able to capture manufacturing fleeing from China. Two reasons for this are Vietnam's open foreign investment policies and Vietnam's membership in trade agreements. These include "bilateral trade agreements with the U.S., Korea, Japan" and "more recently the Free Trade Agreement between Vietnam and the European Union" (Nguyen, 2021). The Philippines can look to these examples from Vietnam for improved economic success.

The Philippines is carried by its agricultural, manufacturing, fishing, and tourism industries. There are a few other industries are moderately developed such as their main ports and a growing Clark International airport. But most of the remaining industries are in their early stages or lack enough relevancy to provide much boost outside those distinct areas. Decisions that Singapore made early in their rise were vital to positively influencing their market and market conditions. One example was when the government noticed was the decline in trained workforce. Again, the government's decision making led to the creating of the Workforce Development Agency and the Skills Redevelopment Program that helped subsidize the costs of training or retraining workers to meet the demands of employers (Porter et al., 2013).

The United States roughly 3.8 million square miles compare to the Philippines at approximately 116,000 square miles (Nation Master, 2013). Clear this show a disparity in real estate in which both countries have to lead and operate. Since the United States has the space and the resources, it has been able to master or competitively compete in most industries. One of the biggest national goals is to lead innovation. The United States has the tools, the manpower and the will to help "retool" struggling sectors and ignite new and developing industries within the Philippines. But like the Singaporean example, the government of the Philippines needs to spearhead the change with policies that support growth within their market.

d. Summary

Above are three parameters of competitiveness that year after year, the United States and Singapore dominate in the rankings. While the Philippines does not reach higher than 31 out 141 in any of the rankings, this solidifies the case that the United States can help the Philippines in achieving higher goals and more levels in the Maslow Hierarchy of Needs. The Philippines can have a strong, dedicated government that choses policy that supports the growth of its people. It will help them break the barrier of psychological needs and even to attaining top tier self-fulfillment needs. Policy and action are going to be essential for any improvement to occur.

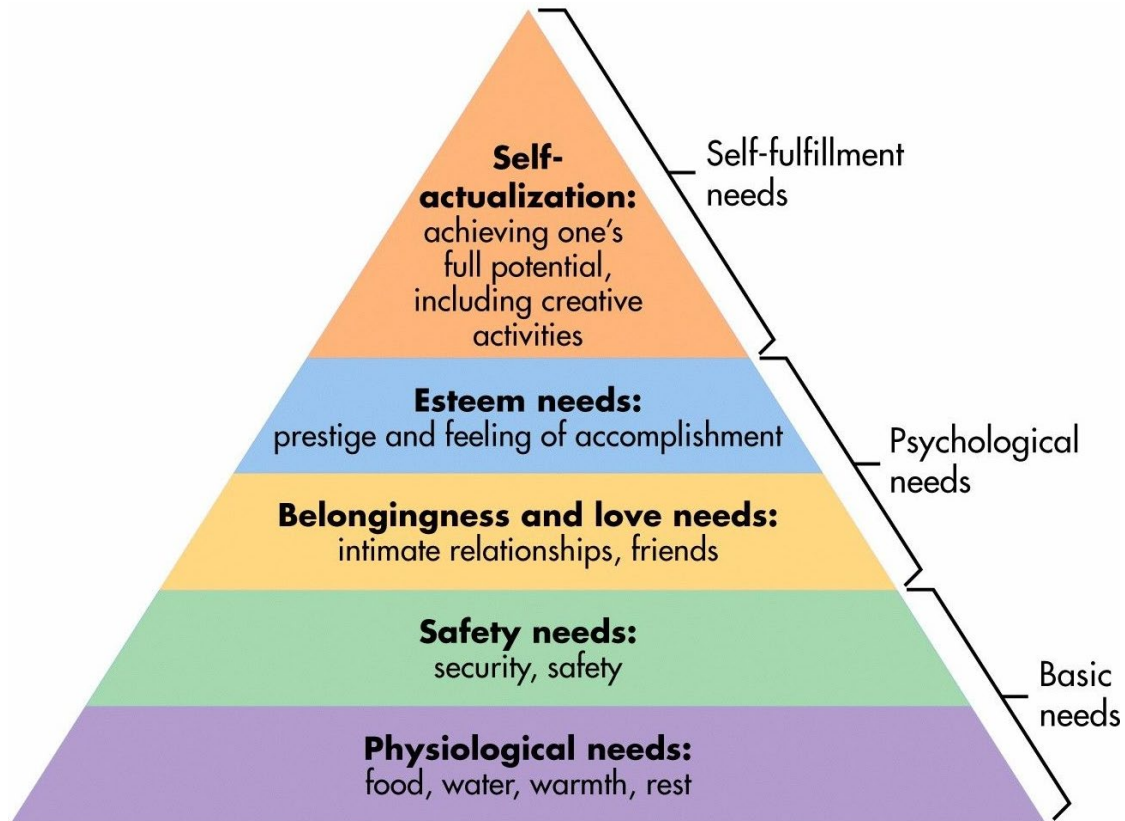


Figure 4. Maslow's Hierarchy of Needs. Source: McLeod (2018).

D. SUMMARY

When the United States trades with other countries, both sides win and grow. Ties between the Philippines and the United States run much deeper than just business. These countries have overlapping beliefs, culture, and history that reflects a relationship worth fighting for both literally and figuratively. There are large initiatives by the CCP to continually wear this relationship down, along with the influence of the United States throughout the ASEAN region. To maintain international balance and ensure the economic interests of the United States can be achieved, maintaining a presence throughout Southeast Asia is critical and leaving the side of allied nations like the Philippines is not an option. The United States has an innate interest in ensuring its allies and interests throughout the region are protected from vulnerabilities that its adversaries may attempt to exploit. Our analysis into some of these issues will be discussed in Chapter IV.

IV. ANALYSIS

The accusation can be made only by conflating the CCP with Chinese people so that being anti-CCP must mean being anti-Chinese. (It's exactly what the CCP wants us to think.) It's a cheap accusation, but it serves as an effective silencing device in this country because of the widespread, and quite proper, sensitivity to inflaming racial tensions.

—Dr. Clive Hamilton (2018)

In Chapter IV, we will cover trade trends relating to the Philippines and the United States. Additionally, we will apply the concepts of why *Distance Still Matters* (2001) to both the PRC and the United States. In Section C, we will analyze Porter's Diamond Model to obtain a cluster in which the U.S. could exploit to resist current and future CCP influence. In Section D, we will present conditions that hinder outside influence to stimulate growth within the Philippines. In looking at the trade trends, reviewing the data against Ghemawat's CAGE Model and Porter's Diamond Model and barriers to entry, we will be able to distill logical and impactful recommendations for Chapter 5.

A. TRADE TRENDS

According to the World Integrated Trade Solution statistics in 2019 the United States is second in trading relations with the Philippines falling short of Japanese trading relationships (*Philippines Trade: WITS Data*, 2018). As of June 2021, the United States has moved to the Philippines number one trading partner (Observatory of Economic Complexity [OEC], 2021). Exports were valued at approximately \$1.09 billion to the United States, with China closely behind at \$1.08 billion (OEC, 2021). There was a noticeable increase in exports to the United States, around 41% increase. A more alarming trend is the increase in imports from China. There was an 55.9% increase in imports during this same time period (OEC, 2021). A reasonable explanation is that the physical distance and ability for the Chinese to drastically produce products cheaper than the United States aids this increase. This trend continues to represent strong support for close economic ties between the United States and the Philippines, even through a global

pandemic and a less favorable presidential relationship over the past few years. While the Philippine president has been colder to the U.S. compared to predecessors, the U.S. Navy still shares a strong relationship with the Philippines. This sets the stage for an increase footprint of economic cooperation.

B. CAGE MODEL COMPARISON

In this section, our analysis as outputted by Figure 5 provides an overview comparison of the United States and China with respect to their cultural, admin/political, geographic and economic distances relative to the Philippines using the CAGE model to assess the factors that might define whether the United States is a stronger partner compared to the PRC. We will attempt to show that while the United States has a large ocean separating them it the Philippines that it is not actually that distant from its historical partner.

	China	United States	Favor
Culture	<ul style="list-style-type: none"> Asian customs and traditions Food product similarities Religious persecution 	<ul style="list-style-type: none"> Religious similarities and freedoms Strong Filipino influence within society High percentage of fluent English-speaking population 	The U.S. holds the advantage due to their historical ties and closer religious connections.
Admin/Political	<ul style="list-style-type: none"> Less similar government structure Intellectual property concerns 	<ul style="list-style-type: none"> Government modeled after US gov't Less similar – government corruption Concerned about intellectual property protection Most-Favored-Nation (MFN) status 	Overwhelmingly in favor of the United States. The PLAN's meddling in one of the Philippine's primary industries only adds additional distance between them and the PRC.
Geographic	<ul style="list-style-type: none"> Close physical geographic location Strong similarities in environment More favorable situation for transportation 	<ul style="list-style-type: none"> Long distance relationship Interconnectivity of information infrastructure along with cultural distance factors are favorable 	Not only is there a physical distance advantage for the PRC, but the BRI could also significantly help the Philippines infrastructure
Economic	<ul style="list-style-type: none"> Similar industries, commonality #1 import source for Philippines 	<ul style="list-style-type: none"> Strong economic interaction established MFN status binds the two nations closer together 	Through a combination of geographic and economic factors, the PRC holds a slight edge mainly because of the shorter distance. There is a clear economic tie between the PRC and the Philippines

Figure 5. CAGE comparison of the Philippines to China and the United States. Source: DiSanto & Hunnell (2021).

Culture is an area where many incorrectly assume the two Asian countries share many commonalities. On the surface, it could look like the two are more similar but after

peeling back the layers the distance is quite expansive. China is known for its human rights violations and specifically its religious persecution. The freedoms expressed through religion are an area of concern and could pose a threat to its government along with individualism which is a Western ideal (Reinstein, 2004). On the other hand, the United States is open to many different forms of religion and share a major common religion with the Philippines, being Catholicism. When it comes to language, the majority of Chinese citizens speak either Mandarin or Cantonese dialect but a low percentage would be considered conversationally fluent in English (Song, 2021). On the other hand, the Philippines is one of the largest English speaking countries in the world and it is even one of the nation's official languages. Those two criteria shift the balance well in favor of the United States and cultural distance.

The second aspect of the CAGE model is the administrative or political distance. Here is another example where the United States has a significant advantage. The Philippines and its government are almost an exact model of the U.S. government structure, with a constitution (U.S. aided draft) and the separation of branches such as the executive, judicial and legislative (CIA, 2021). Both countries are rooted in democracy and capitalism. The Chinese are referred to the People's Republic of China and are a communist run state. Its constitution is socialist-centric. The distance between the Philippines, United States versus China could not be farther. To add to the distance, the Chinese government does not view intellectual property the way that the United States does. Often times, the data rights and intellectual property falls to the government making China and its businesses an extreme risky venture, in terms of national security. The risk is not only a security risk but is also a vulnerability and a financial risk to market participants. The companies that legally provided the product or services are not getting the proper compensation that will eventually be reinvested into other ventures (Brander et al., 2017). Aspect number two again is heavily in favor of the United States because of the type of government structure and the intellectual property violations of the PRC.

Geographic distance is the third criteria in which we will compare the United State and China to the Philippines. The first big difference here is the Pacific Ocean. It separates the United States from the Philippines where the Chinese mainland is only

2,000 miles away compared to 7,305 miles. The physical distance is something that is hard to compensate completely for. The United States does make up some of that literal distance by the culture distance and the improvement of communication medias. The advent of Zoom and Microsoft Teams for collaboration has brought more countries together when previously they only experienced barriers. Ultimately, it remains difficult to overcome the closeness geographically, along with the same timezones. An additional benefit for being so close is the cost of doing business is less. There are far more frequent avenues and opportunities for China and the Philippines to trade good at a significantly cheap price. The ability of the Chinese people to produce goods nearest to at-cost prices is hard to beat in any country and then to account for the price of shipping. The United States cannot compete with this. The final area where the PRC can capitalize in the geographic aspect is through the BRI. The very idea of the BRI is to connect the PRC and its influence with weaker, less developed countries with infrastructure projects and more importantly link them through trade and predatory contracts. According to Ghemawat (2001), man-made transportation and communication infrastructures are considered a part of the geographic distance calculus. As reported above, the Chinese are already making moves with the Kaliwa Dam project (Chavez, 2019). Unlike the first two criteria where it was assessed to be overwhelmingly in favor of the United States, the PRC are assessed to have a slight advantage in the geographic component.

The last aspect of the CAGE model is the economic distance. Parts of this criteria are related to the geographic distance. Since the two countries are located so close to each other, there is a natural tendency for them to have commerce between them. As mentioned above, there is a fiscal benefit to conduct trade together because of the cost of doing business remains low rather than importing significantly more expensive American good, albeit often better quality items. China and the Philippines also share similar bond to certain industries such as fishing and agriculture. These industries help tie the two nations together economically. It is no coincidence that the PRC is the number one source for imports in the Philippines, mainly for the reason laid out above.

It is tough for the United States to compare because of the geographic distance and the cost of goods sold. Both the Philippines and the United States do exercise policy

to help overcome some of the distance via improved trade deficits making it less costly to continue to do business with each other. In the end, the Chinese has the advantage in the economic realm.

In conclusion, we compared the PRC and the United States with the Philippines to show that physical distance is not the single most important factor in choosing a partnership or entering into an alliance. Using the CAGE model, we were able to show that the United States did have many advantages but it was not resoundingly in favor either. There are distances, such as geographic, that the United States is assessed to be behind and needs to comprehensively address before they become unmanageable. Yet, the Philippines and United States do share some very advantageous aspects of distance such as cultural and administrative/political making them a good match to further pursue deeper economic activity and even stronger partnership bonds.

C. PORTER'S DIAMOND MODEL AND CLUSTERS

Opportunities for progress toward a stronger relationship between the governments of the United States and the Philippines through formal correspondence and documents like the Mutual Defense treaty are a large step toward keeping the CCP from exploiting the advantages of distance mentioned above. Yet, true strength stands the greatest chance at success when government relationships are met or exceeded by private and public businesses between the two nations. As described in Chapter 2, Section F, Porter's Diamond Model introduces the idea of clusters. Clusters are specific industries that are linked competitively. Classic examples of success in clustering include the Italian shoemaking industry detailed earlier in this work, steel production in Pittsburgh, Pennsylvania, car manufacturing in Detroit, Michigan, movie production in Hollywood, California, and the wine industry in Napa, California. We believe that the wine industry in the Philippines represents an area to achieve clustering strength and economic growth. Wine has been used in other areas of the world to achieve economic growth, the Philippines in conjunction with the United States could achieve this same success at scale to create a thriving supportive industry expressed in Figure 6.

Growing locally, an industry like wine in the Philippines presents an opportunity to growth other industries and create demand to bring back other robust industries that could help the influence of the Philippines and the United States in the region. We are not naive to the fact that the climate in the Philippines represents rough growing climates for traditional popular varietals to grow such as Cabernet, Malbec, Cabernet Franc, Pinot Noir, and Merlot. We are suggesting capitalizing on the industry that is already there and growing it out to best exploit opportunities that are available on the global market. Like how products like Truly or White Claw have taken the alcoholic seltzer market by storm, something similar could be achieved through using the Philippines robust fruit market and harvests to bring high quality fruit wines to market.

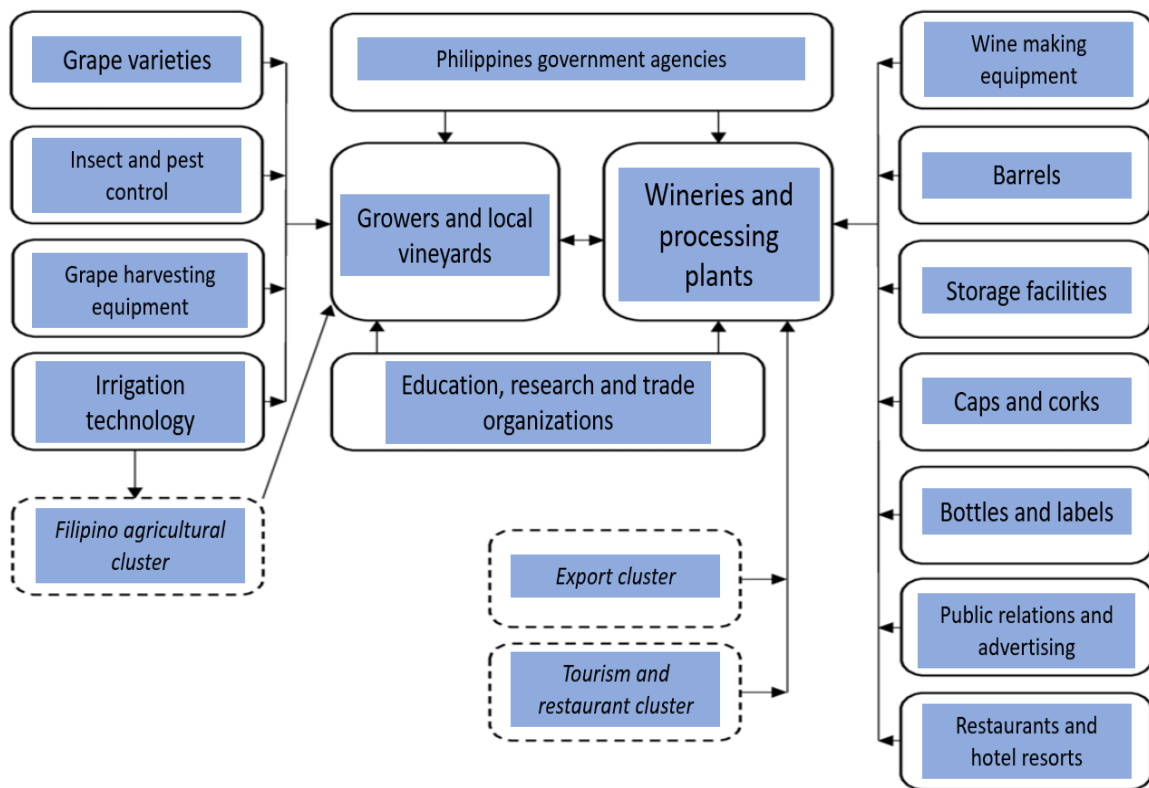


Figure 6. Wine Industry Cluster. Adapted from Porter (1998, p. 79).

Wine is a smaller example of what the United States could do to help the Philippines in terms of clusters. The transportation industry would be ripe for investment.

Formerly Clark Air Force Base, Clark International Airport is growing rapidly along with air freight, and it could not be a better time to financially support their advances. Taking the chart from Figure 6 and replacing areas within the transportation industry, Figure 7 shows intertwined clusters that are widely open for outside investors. The two gold highlighted areas are two specific examples that the United States could assist in bringing businesses and industry leaders to establish major hubs. DHL is known for their international courier network in the Eastern Hemisphere. The global supply chain could be reinforced with some redundancy if FEDEX and UPS can be convinced to invest deeply in the Filipino market. With established major hubs and increase reliability, air transportation would be greatly improved. Shipyards as well as ground transportation would benefit with the enhanced air routes. Further benefits would be experienced in their import and export cluster because of advances in all facets of the transportation industry. This is all made more possible with the Philippines and ASEAN taking actions to improve business cooperation and deregulation (Llanto & Navarro, 2012).

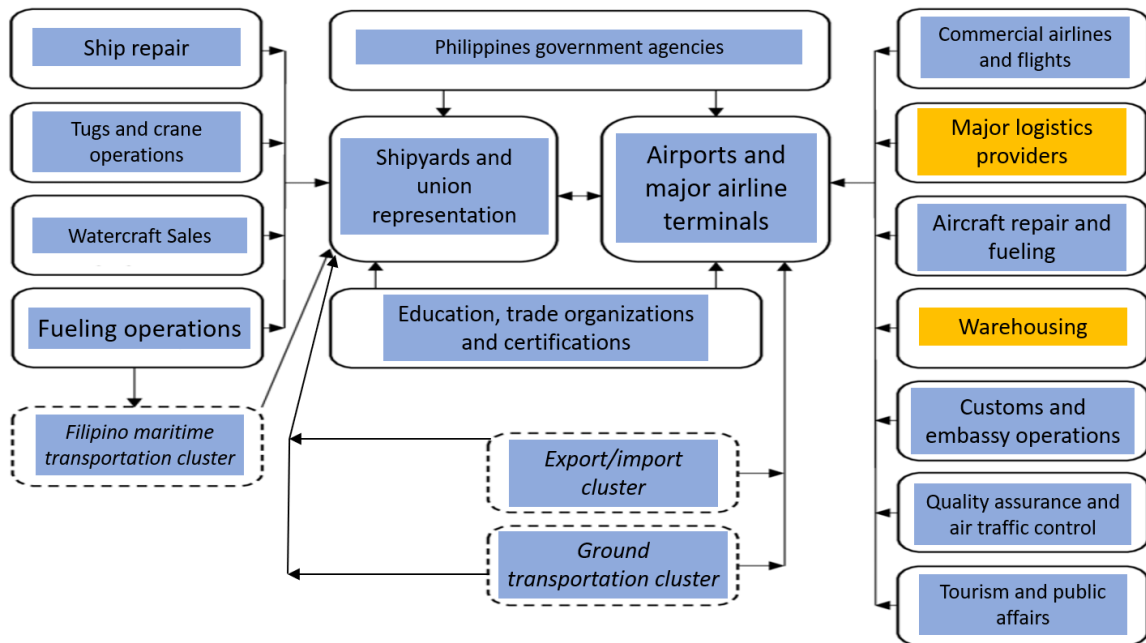


Figure 7. Shipyard and Airline Cluster diagram. Adapted from Porter (1998, p. 79).

D. BARRIERS TO ENTRY

The Philippines economic environment presents barriers to entry that hinder or deter increased foreign investment. According to the U.S. State Department, the Foreign Investment Negative List (FINL) sets limits on how much foreign investors can support industries within the country.

While the Philippines is taking steps to improve their stance on foreign involvement and investment, they have only one formal free-trade agreement with Japan. They do utilize the Generalized System of Preferences program with the U.S. which allows many products from the Philippines to be imported to the United States duty free (Office of the United States Trade Representative, 2018a). However, numerous instances in the State Department report characterize the Philippine government, judicial system, and any other regulatory structure as burdensome and time consuming leading to a negative environment for foreign countries and investors to want to enter (Office of the United States Trade Representative, 2021).

President Duterte and his administration is moving the country in the right direction in relation to its efforts to improve ease of doing business within its borders. They started to execute the 10-point socioeconomic plan where many acts such as the Republic Act 11032 (RA11032) to help to streamline doing business and government services. One of the important pieces established as a part of RA11032 was the Anti-Red Tape Authority (Congress of the Philippines, 2017). Its primary functions are to improve the ease of doing business, enhance government service delivery and assess the quality of how regulations are designed and implemented (OECD/ADB, 2020). With concerted effort in eliminating barriers, the government of the Philippines can shake the “sick man” label and could compete in the future with a powerhouse, like Singapore. Singapore is known for their extremely business-friendly legal environment and most notable is the high quality of life its citizens enjoy. According to Deputy Prime Minister and Finance Minister Tharman,

... focused on building Singapore’s future. We must reach our next frontier as an economy, with firms driven by innovation, and higher incomes coming from deep skills and expertise in every job. We must ensure a

society that is fair and just, where everyone has a chance to move up and do well regardless of where they start. And we must complement a culture of personal effort and responsibility with stronger collective responsibility. (Lim, 2015)

Singapore has definitely embraced the essential domestic services cluster (Kowalski & Mackiewicz, 2021) to make it one of the most desirable countries in the world.

E. SUMMARY

In this chapter, we discussed the current position the United States holds to the Philippines regarding trade while including China's position. This established the baseline for where the analysis would start.

In Section B, we analyzed at the specific items that Ghemawat laid out within his work, *Distance Still Matters* (2001) to estimate the relative distance that the United States and China hold compared to the Philippines. The Philippines and the United States share some advantageous aspects of distance such as cultural and administrative/political. Overall, we analyze the United States a good match to further pursue deeper economic activity and even stronger partnership bonds with their historical ally, the Philippines.

In the next section, we drew on two specific areas in Figures 6 and 7 to show the interconnectivity within the clusters and areas where the United States could focus on administering forms of assistance and aid to help those industries flourish. The transportation industry clusters showed multiple areas where exponential growth could occur with focused support. The anticipated positive economic overflow to other clusters would be tremendous for the nation. We also looked at a smaller, agricultural cluster in their growing wine industry. There could be great gains to be had in the tourism and agriculture industries that the Philippines had been known for.

In the final section, we discussed the barriers that have stunted economic growth within the Philippines, along with willingness and ability of outside investors. Yet, we tried to show that the government of the Philippines is aware and working on reforms to roll back some of these barriers that would make them more accessible to ASEAN and the world.

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V. CONCLUSION AND RECOMMENDATIONS

The main intent of the research was to provide a perspective on the Ghemawat CAGE Model and the Porter Diamond Model to show that the United States is the right distance and a good candidate to assist the Philippines in improving its global economic status. The goal would ultimately show what the United States can leverage to create a mutually beneficial relationship while simultaneously thwarting the actions of the CCP sweeping through Southeast Asia. Section A will summarize the unique relationship of the United States and the Philippines. Section B will provide recommendations for policymakers. Section C will explore areas for future research for the United States to continue to expand positive relationships with other ASEAN countries, other strategically important regions, and combat the CCP's transnational threat. Finally, Section D will close with our final summary.

A. ALLIANCE RELATIONSHIPS

To compete effectively with China, America's leaders should focus on fostering greater national cohesion, restoring America's international prestige, and preserving its historically unmatched network of alliance relationships. These are keys to America's competitiveness that China does not have and cannot take away from the United States. (Hass, 2021)

The Philippines offers the United States a unique and historically relevant opportunity to assist in their economic development in the Asian market and expand their influence further into the global market. The Philippines is a proud country built on the backs of fishermen and service-related industries. As a nation, they must unite and choose a more righteous path and abstain from the corruption and crime that continues to impede their progress. Their government leaders must choose to continue to push reform within their government structure reducing administrative burden and inefficiency. Efforts pushed by ASEAN that support liberalization and deregulation need to be ratified. This concrete action will signal to the regional partners as well as the world that the Philippines are interested in welcoming their businesses. The United States can assist in targeting fraud and corruption as well as providing sound recommendations to Filipino leadership. The U.S. should pass legislation that encourages investment and engagement

with the Philippines such as the examples within the transportation and wine industry cluster depicted in Figures 6 and 7 from Chapter IV. Creating a grant that offers an opportunity for Napa Valley Winery leaders to conduct expertise exchanges or personnel exchanges is another option that could be extrapolated among other industries. The United States could offer expertise exchanges to bolster ripe industries across many trades. Additionally, the United States should relax current trading taxes and tariffs beyond the MFN status and further increase the ratio of Filipino imports. With improvements in quality of life and infrastructure, the U.S. could achieve new avenues to shift production of goods to Filipino industries where there has been a dependence on cheaper Chinese produced good and capitalizing on newly optimized trade policy. By actively engaging the Filipino government through these symbiotic methods, we can cultivate an environment that encourage deeper and lasting bonds that bleed over to other sectors and areas of the government.

The United States cannot do it alone as it will require strong commitment from both parties. The Philippine government will need to champion more streamlined processes, commitment to root out corruption and establishing a legal regulatory environment conducive for foreign interests and companies to invest and lead expansion.

The next section will offer three specific recommendations that policymakers will need to engage with the State Department, Council of Economic Advisors, and the Treasury Secretary.

B. RECOMMENDATIONS FOR POLICYMAKERS

1. Recommendation #1

Our first proposed recommendation to reach terms of a bilateral free trade treaty with the Philippines. This resolute action will be a major signal of our intentions to support one of our primary allies in ASEAN, especially to China. The U.S. currently hold only twenty free trade agreements and only three of them are with Asian countries (Office of the United States Trade Representative, 2018b). It does not even have such an agreement with Japan of whom the United States changed their future significantly after World War II. The wording is important and the specificity in the preamble is crucial.

The key statements from two existing preambles (Singapore and Australia) that emphasize the importance of the free trade treaty (Office of the United States Trade Representative, 2018b) and must be included for the Philippines are:

- REINFORCE the longstanding ties of friendship and cooperation between them
- STRENGTHEN their economic relations and further liberalize and expand bilateral trade and investment
- ESTABLISH clear and mutually advantageous rules governing their trade and reduce the barriers to trade that exist between them
- ENCOURAGE a closer economic partnership that will bring economic and social benefits, create new employment opportunities, and improve living standards for their people
- PROMOTE a predictable, transparent, and consistent business environment that will assist enterprises to plan effectively and use resources efficiently
- FOSTER creativity and innovation and promote stronger links between dynamic sectors of their economies
- DESIRING to promote transparency and to eliminate bribery and corruption in business transactions. (Office of the United States Trade Representative, 2003, pg. 1; Office of the United States Trade Representative, 2004, pg. 1)

With the establishment of this Free Trade Agreement, the United States and the Philippines will have a formal mechanism to discuss trade on a more intimate level without distraction from other nations. It would place the two countries on equal footing, likely reducing the concern that the Philippines would be strong-armed into policy that is not in their best interest. Finally, it would further fortify current agreements and almost certainly entwining our futures together through prosperity.

2. Recommendation #2

Another recommendation would be to ease the transition for foreign investment and industry expansion is the establishment of a liaison office that works directly with the Philippine government and the U.S. Embassy in Manila. Their purpose would be to create a streamlined process for expediting requests to improve timeliness and effectiveness for companies to invest. This would help alleviate the well documented grievances stating that the current procedures are slow and cumbersome (Centre for Public Impact (CPI),

2018). As an extension of the “most favored nation” position, this cooperative coordination will lessen reluctance to seek opportunity and reinforce a commitment to enhanced trade with the Philippines.

3. Recommendation #3

A third recommendation is that the United States needs to further relax trade policies and reduce tariffs for Filipino goods. It should also establish tax breaks for companies and organizations that might move operations overseas and to prevent them from choosing China. In the effort to establish a regulatory environment that encourages the Philippines to expand trade to the United States, it could also set up avenues to generate more “sister city” relationships among cities and states with area in the Philippines. Sister cities are not a new concept. They were created during the Eisenhower presidency to “champion for peace and prosperity by fostering bonds between people from different communities around the world” (Sister Cities International, 2021). The main areas that Sister Cities International (SCI) focus on are “exchanges that focus on arts and culture, youth and education, business and trade, and community development” (Sister Cities International, 2021). The framework already established by SCI could be used to target the areas identified in the cluster data above to develop specific regions in the Philippines. The idea being that with the improvement and development that it would follow the path of urban sprawl that U.S. cities enjoy. The outlying areas would have access to better jobs and resources to develop even further.

4. Recommendation #4

There are additional measures that the United States could help mend within the Philippines such as addressing homelessness, poverty, unequal access to resources and education. With these factors unchecked, the state of the Philippines will remain the “sick man.” Some of the more popular reasons that the rise of Singapore is noteworthy are the high levels of quality they enjoy throughout the country. Singapore is one of the cleanest big cities in the world. They also have a well-established public transit system that meets the needs of all its people. The laws and regulations provide a safe environment for men and women alike. Caning is a form of punishment for offenders. Addressing the

widespread corruption has been a priority for the Duterte presidency but much is still required to change the perception established. Again capitalizing on the close cultural distance, the United States could engage with government officials and develop a plan, with financial aid backing, to address the essential domestic services cluster consisting of quality of life, healthcare and education (Kowalski & Mackiewicz, 2021).

5. Conclusion

The four recommendations, especially the recommendation for the signing of a Free Trade Agreement, above offer tangible options that the United States can and do have the ability to render if the Philippines desires it. In tandem, they provide a high percentage plan to raise the minimum quality of life for the Filipino people. The premise of having a society where your people are taken care of and feel safe is what has been achieved in Singapore. It can be achieved in the Philippines and should be realized. With a Free Trade Agreement, the two countries will form an environment that will be more beneficial to both countries and their economies.

The next section will provide areas for future study that can further the recommendations made above. These are topics not addressed in this project but will have ramifications to the success of the recommendations made and should be understood when making future decisions.

C. RECOMMENDATIONS FOR AREAS OF FUTURE STUDY

As empirical data flows and the speed at which news is shared, the avenues of future study with regard to the Philippines as a strategic focal point for future U.S. administrations and operations are vast and vary from technology innovations to military cooperation.

1. Recommendation #1

One topic of future study that could greatly improve the domestic infrastructure on the island of the Philippines is the further growth and development of the Starlink satellite internet constellation and the impacts that greater accessibility to rural areas and the anticipated growth in previously untouchable areas.

Starlink satellite internet constellation can expand the field of possibility to areas where more traditional providers have chosen not to invest (Starlink, 2021). With better connectivity, the limited becomes unlimited and it resolves an unknown criteria that detract from quality of life for pending suitors.

2. Recommendation #2

Another area of future study is the post-Duterte Philippines and the direction they will follow, either a closer alignment with the PRC or with the United States and other pro-democracy countries. With the upcoming Presidential and Vice Presidential elections nearing in 2022, the Philippines will be at a new crossroads atop the political stage. Three big names have surfaced in the polls, Marcos Jr., Pacquiao and Robredo. Ferdinand “Bongbong” Marcos Jr., son of former dictator Ferdinand Marcos Sr. is the current frontrunner according to polls. Rodrigo Duterte will not be completely sidelined. He has entered his name for the senatorial race. His daughter, Sara, will be the Vice Presidential candidate with Marcos Jr. vying for President.

3. Recommendation #3

The first rule of unrestricted warfare is that there are no rules, with nothing forbidden.

—Senior PLA Colonel Qiao Liang (Liang Qiao et al., 2015)

A final and most formidable topic for future study is the evolution of the PRC’s economic warfare and expansion of trade to resource-rich countries. When aggregated together, their slow and seemingly harmless tactics provide an offensive picture that if misjudged or mistaken, will be highly detrimental. In obtaining a controlling stake in resource caches, the PRC is setting itself up for a situation where it could sustain prolonged attacks and outlast its enemies. A recent example sheds light on the predatory contracting that the PRC and financial firms are executing with developing countries. A Ugandan airport may fall further into China’s Exim Bank’s control if they fail to meet the requirements of the loan obtained. A Ugandan parliamentary probe highlighted Exim’s control of the annual budget and for court proceedings and disputes to be adjudicated under Chinese law (Biryabarema,

2021). While vehemently denied, this is not the only allegation against Chinese investments in foreign countries.

It may not be too late to stem the effects of the economic sprawl that the PRC has been exercising in countries that offer vital resources that all major countries depend on. Coalition partners will need to connect the dots between the “good relations that China enjoys with developing nations including Uganda” (Biryabarema, 2021) and nefarious economic warfare. For example, China has risen to the #2 trade partner in both imports and exports for Columbia. Columbia’s top exports are crude oil, coal, refined oil and gold (Colombia - The World Factbook, 2021). Another potentially concerning fact is that China is a major importer and exporter of most other South American countries with the exception of Suriname, Bolivia and Paraguay (CIA, 2021). These investments pose a real threat as they are with countries on the United States’ backdoor.

D. SUMMARY

In Chapter V, we discussed Section A which summarized the unique relationship of the United States and the Philippines. Section B provided recommendations for policymakers. Section C explored areas for future research for the United States to continue to expand positive relationships with other ASEAN countries, other strategically important regions, and combat the CCP’s transnational threat.

Our thesis was intended to highlight the cultural and historically significant relationship that we share with the Philippines. It also was intended to draw attention to the tremendous threat that the PRC poses to the Philippines and the ASEAN region. We used the Ghemawat CAGE Model and the Porter Diamond Model to offer a comparison of nations to analyze the compatibility and validity of a partnership between the United States and the Philippines. Based on the output, we offered three recommendations for policymakers that could make a significant impact in the Philippines future as well as the United States relationship moving forward. Finally, we hoped to paint a holistic view of our relationship and how cultural, economic, and historic examples the United States can leverage to create a mutually beneficial relationship with the Philippines and simultaneously thwart the actions of the Chinese Communist Party (CCP) sweeping through Southeast Asia.

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