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### Report

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# ➤ The Philippines

Emmanuel Yujuico

**The Philippines is no stranger to geopolitics. It stood near the frontier of ideological struggles as the Cold War raged in the Asia-Pacific. Not only did American bases in the Philippines figure in the Korea and Vietnam conflicts, but the Philippine Expeditionary Force to Korea (PEFTOK) also fought on behalf of the United States against North Korean and Chinese forces. In the post-Cold War era, however, the Philippines finds itself in a changed world. In 1991, the United States left Clark Air Force Base and Subic Naval Base as the communist threat to the region receded. Few probably suspected then that the Philippines would have to reckon with another rising, ostensibly communist power, in a few years' time.**

Alike practically all other countries and regions, the Philippines has had to consider the relative rise of China amidst American decline. However, its foreign policy interests are contextually shaped by its American colonial legacy and enduring ties with the United States on one hand, and its historical influences from and geographical proximity to China on the other. Another layer of complexity is added by the Philippines being part of the Association of Southeast Asian Nations (ASEAN), in which fellow member nations have their own ideas about their collective role in responding to Sino-American tussles over regional hegemony.

This contribution will review the sociohistorical, military and economic factors that shape Philippine foreign policy towards China and the United States. When these factors are considered, it remains evident that the United States retains an advantage over China in having closer relations with the Philippines. That said, the United States would be mistaken to think that it has implicit backing whenever the Philippines must choose between rewarding Chinese or American interests. That said, the Chinese may yet discover that influence over the Philippines' external relations also has its price. Sociohistorical, military and economic advantages that either China or the United States holds in its dealings with the Philippines are not fungible or readily transferrable into advantages in other realms, since cultural, military and economic actors differ, while Philippine public opinion tends to fixate on current events.

## **SOCIOHISTORICAL ASPECTS**

If the contest between China and the US for Filipino affections solely concerned cultural affinity, then the United States would have a convincing advantage. Despite its American period of colonisation being far shorter than its Spanish one, the Philippines' ties with the United States are deeper and more extensive. While Chinese interactions with residents of the Philippine islands date back to a far earlier time, China itself has largely been unable to translate sociohistorical linkages into 'soft power' that it can leverage.

As Michael Cox argues elsewhere in this report, part of the United States' lasting appeal lies in foreigners being able to see themselves as emigrants living some variant of the American Dream. Nowhere is this intuition more evident than with Filipinos, who have been among its most avid consumers. Despite the Philippines' population being less than a tenth of China's, Filipino-Americans lag behind only Chinese-Americans as the second largest Asian minority in the United States. With Philippine education and medical

systems modelled on those of the US, Filipinos fluent in English have readily assimilated into American society, reaching native standards of living when windows of opportunity have opened.

Filipino entertainment is also heavily influenced by Filipino successes breaking into the mainstream of American pop culture. Arnel Pineda from Olongapo City near Subic Bay became an overnight sensation when Neal Schon of the San Francisco-based band *Journey* made Pineda their new lead singer after watching him perform on YouTube. Similarly, Charice Pempengco gained global fame by appearing on the hit TV show *Glee* playing an exchange student. Boxer-turned-congressman Manny Pacquiao has earned most of his fame in Las Vegas bouts, even boasting that he helped Democratic Senator Harry Reid win re-election in 2008 by asking Filipino-American Nevadans to vote for Reid. Hence, a colonial mentality remains evident in how Filipinos view 'making it big' as doing well in America.

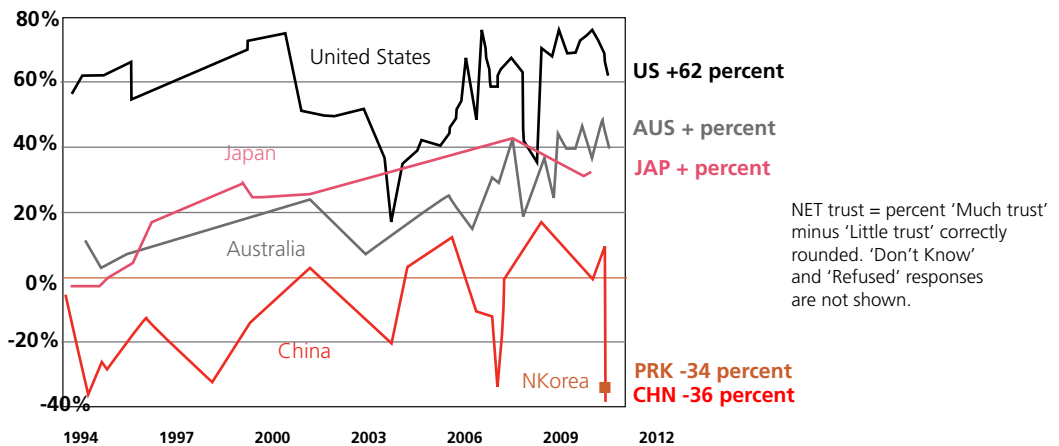
Vocal but minority voices aside, it comes as no surprise that Filipinos generally regard their former colonisers warmly. Opinion poll after opinion poll verifies this assertion. Even after the Bush administration sullied world opinion of the United States, the Philippines still regarded it favourably. In a BBC World Service poll conducted after George W. Bush's re-election in 2004, 63% of Filipinos viewed his victory as conducive

for world peace and security – the most in a sample of eighteen nations. Pertinently for this discussion, Philippine opinions of China are not as favourable and routinely rank well below those expressed for the United States.

To be sure, the Philippines is heavily influenced by Chinese culture and history. Historians believe that Chinese traders have plied their wares in the Philippine islands since the ninth century, with many subsequently settling there. Further, it has been led by persons of mixed Chinese ancestry in current President Benigno Aquino III as well as his mother, Corazon Aquino. The Philippine's national hero, the novelist Jose Rizal, was likewise a Chinese *mestizo*. As elsewhere in the region, Filipino business elites are predominantly of Chinese heritage. Chinese New Year is even a national holiday in the Philippines.

Yet, from a foreign policy standpoint, it is remarkable that China has been unable to translate these historical influences into something more substantial. Opinion polls reflect guardedness among Filipinos who are more likely to distrust than trust China, especially after 2012's run-ins at the disputed Scarborough Shoal which began when a Philippine navy vessel stopped Chinese fishing boats for allegedly taking endangered marine species illegally. In other words, the whole of these influences in winning over Filipino hearts and minds remains less than the sum of their parts.

**Figure 1: Net Trust in Selected Countries**



Source: Social Weather Stations Second Quarter 2012 Social Weather Report. <http://www.sws.org.ph/pr20120813.htm>

## SECURITY ASPECTS

An enduring stumbling block to closer Filipino-Chinese relations remains dominion over contested areas in the South China Sea lying near the Philippines. Although these areas are within the Philippines' 200 nautical mile Exclusive Economic Zone (EEZ) and are outside China's, the latter makes historical claims for dominion over them. Illustrating the contentiousness of this dispute, as a result of the recent incidences near the Scarborough Shoal, which began in April of 2012, President Aquino issued an administrative order renaming the maritime areas of the disputed Scarborough Shoal and Spratly Islands the 'West Philippine Sea.' Although estimates of their recoverable energy resources vary, few doubt their potential as well as their strategic importance for shipping and fishing. It is with regard to the South China Sea that China's charm offensive aimed at its Southeast Asian neighbours falls short.

China's military resources outstrip not just those of its Southeast Asian neighbours contesting islands in the South China Sea, but all of them put together. Naturally, China's diplomatic overtures have had to address Southeast Asian nations' concerns that the PRC may use its overwhelming military advantage to secure these waters.

Earlier this century, China made noteworthy conciliations that promised progress towards a durable resolution to the South China Sea dispute. In 2002, it signed on to the Declaration on the Conduct of Parties in the South China Sea (DOC), a '21st century-oriented partnership of good neighbourliness and mutual trust.' The following year, China became the first country outside the region to sign ASEAN's Treaty of Amity and Cooperation (TAC). Subsequently, however, China has not been able to build on earlier goodwill. Very limited progress has been made: ASEAN members attribute this to Chinese unwillingness to make the DOC a binding resolution. China could instead agree to take the matter to the International Court of Justice which adjudicates territorial disputes, or the International Tribunal of the Law of the Sea, which handles those over the interpretation of the UN Convention on the Law of the Sea (UNCLOS), and which all concerned have ratified.

Countries in the region believe that China's unwillingness to 'multilateralise' this dispute despite the DOC making references to international law in general - and UNCLOS in particular - stems from China's desire to maintain power asymmetries by dealing with ASEAN members individually instead of collectively. On their own, ASEAN parties to this territorial dispute like the Philippines and Vietnam have limited capabilities in terms of military might or diplomatic clout. Whether this truly is China's intention or not, this 'divide and conquer' perception certainly does not help the tenor of Filipino-Chinese relations.

Conversely, a country which is *not* a signatory to UNCLOS – the United States – has been able to take advantage of Filipino-Chinese differences over the South China Sea, less through providing material assistance, but more by means of implicit guarantees. In 2010 when South China Sea claimant Vietnam held the rotating ASEAN chairmanship, it raised the matter at the ASEAN Regional Forum (ARF) meeting. US Secretary of State Hillary Clinton stoked the flames of the dispute when she stated that the United States had a 'national interest' in keeping the region's sea lanes open for trade. Although China denounced this action as intervention in a matter the US was not privy to, the US's declared stake in the South China Sea dispute vividly depicted its effort to reengage in the Asia-Pacific region.

That reengagement, following what Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell called 'a middle east detour' in the decade following 9/11, builds on historic security arrangements. Although the US left its Philippine bases in 1991, the Mutual Defence Treaty of 1951 still stands. Moreover, the US navy has participated with various Southeast Asian navies including that of the Philippines in annual Cooperation Afloat Readiness and Training (CARAT) exercises as well as the US-Philippine *Balikatan* (shoulder to shoulder) exercises. Pointedly, *Balikatan* exercises were held this year in Palawan near the Philippines' disputed claims with China. Prior to the Obama administration's 'pivot', the Philippines' longstanding difficulties with Muslim extremists and its measured pace of development compared to regional peers, meant it was receptive to assistance through participation in the global war

on terror. However, the South China Sea imbroglio has presented the US with a 'hegemony on the cheap' option as Southeast Asian claimants seek to hedge against a noncommittal China.

## ECONOMIC ASPECTS

Economically, the Philippines finds itself caught between China and the US as they compete for its affections. Unlike in the sociohistorical and security realms, neither holds a clear advantage. China has been better able to portray itself as sharing common ground with the Philippines. Once more, this situation illustrates the non-fungible nature of differing geopolitical resources.

Even now, the United States remains the Philippines' largest trading partner. Generally speaking, this relationship has been friendly, with a few minor exceptions such as a recent WTO case the US successfully brought against the Philippines over discrimination against imported liquor. US economic influence in the Philippines is extended via the presence in Manila of Washington-based lender the World Bank, as well as the Asian Development Bank, whose largest shareholder alongside Japan is the United States.

Merchandise trade aside, Philippine service exports also benefit from American consumers, with the country's move to a post-industrial economy heavily conditioned by the US market. Unbeknownst to many, the Philippines surpassed India as the world's call centre capital in terms of both employees and revenues in 2010. While higher value-added business process outsourcing (BPO) services remain in India, routine tasks such as customer service are now handled by Philippine-based outfits. This growth can be attributed to an innate hospitality coupled with a grasp of English – taught from primary school level onwards – and Filipinos' familiarity with American culture. In 2010, eighty percent of Philippine BPO exports went to the United States.

Nonetheless, questions remain about Philippine reliance on the United States as an export market. Not only has the US experienced an economic crisis that has forced its consumers to retrench, but American incomes have stagnated since the turn of

the new millennium. Despite the US market being by far the world's largest and the Philippines' advantages exploiting it, diversification remains welcome to cushion the local economy from shocks emanating from America.

China presents an interesting economic counterweight. Collectively, ASEAN is China's third largest trading partner after the EU and the US, surpassing Japan in 2011. Conversely, China is ASEAN's largest trading partner. Alike with its fellow ASEAN members, China has amassed a fair amount of goodwill with the Philippines in the economic realm. Here, China is better able to portray itself positively as a benign force interested in South-South cooperation for development, despite the competition China presents for a number of Philippine exports, including a number of light industries involving the manufacture of garments and textiles.

A watershed event in China's economic relations with its near neighbours was the Asian financial crisis of 1997/98. Many crisis-hit nations remain critical of how the then-prevalent 'Washington Consensus' orthodoxy of liberalisation, deregulation and privatisation was demanded by the US in exchange for IMF emergency funding. Socioeconomic hardships attributed to blanket implementation of such policies made Southeast Asian nations particularly wary of a repeat. To its credit, China then did not devalue its currency to remain export-competitive with these already-suffering nations. That when confronted with its own crisis America did exactly the opposite via *deliberalisation*, *reregulation* and *nationalisation* cast further doubt on American motives.

Aside from moving closer to ASEAN by joining the ARF and signing the TAC, a further pillar of China's bid for influence has been to set up economic mechanisms to prevent a repeat of the Asian financial crisis and enmesh China in regional trade. The Chiang Mai Initiative Multilateralisation (CMIM) establishes a common pool of emergency funding to deal with balance of payments issues. Together with Japan, China has the largest commitment to the fund at \$38.4 billion. Another mechanism is the Asian Bond Market Initiative (ABMI) that has seen total regional bond market issuances expand from \$196 billion in 1997 to \$5.9 trillion in 2012.

The Asian Financial Crisis was in no small part due to relying too much on capital from outside the region, when Asia has enormous savings that can be used for investment. Hence, the emergence of a wider and deeper regional capital market should benefit not only the region's savers but also its entrepreneurs.

The ASEAN-China Free Trade Agreement (ACFTA) agreed to in 2002 (and which came into effect in 2010) set ASEAN on a course to sign many more similar trade deals, including with South Korea, Australia & New Zealand, and India. ACFTA established a template for other economic suitors of ASEAN in joining ARF and signing the TAC *before* negotiating an FTA, thus linking security and economic matters. While economists complain about 'trade diversion' effects arising from multiple FTAs co-existing, the political ramifications of such deals may be equal to or even outweigh economic considerations.

The United States' pivot towards the region has followed a similar pattern. It only signed the TAC with ASEAN in 2009. Prior to that, the United States, in contrast to China and ASEAN's ACFTA, had had next to no success in establishing an FTA in the Asia-Pacific. The Asia-Pacific Economic Cooperation (APEC) has been its preferred vehicle for launching such initiatives, but its proposed Early Voluntary Sector Liberalisation (EVSL) and Free Trade Area of the Asia-Pacific (FTAAP) have fallen to deaf ears. Despite its various security arrangements with America, the Philippines has not necessarily supported US efforts to promote an APEC-based FTA.

The same holds true at the present time with the much-hyped Trans-Pacific Partnership (TPP) enlargement discussions. In a case of 'if you can't beat 'em, join 'em,' the United States is seeking to expand an existing FTA whose membership consists of APEC members Brunei, China, New Zealand and Singapore. Wary of being frozen out of regional trade deals, the United States seeks to use TPP to not only safeguard its trade preferences (such as strong intellectual property provisions), but also to create bandwagon effects to blunt Chinese momentum. Already, American trade authorities have welcomed the participation of Australia, Japan, Malaysia, Peru and Vietnam. The lack of Philippine interest in TPP despite it being

an obvious American vehicle to maintain regional influence underlines the former's independent streak in economic diplomacy.

Along with many other developing members of APEC, the Philippines has been noticeably keener on technical assistance for capacity building. Signing on to several FTAs may be confusing or even detrimental, if the country in question does not have the institutional capacity to facilitate trade. Although lacking in glamour, processes such as improving utilisation rates of preferential tariffs, automating customs procedures and identifying countries of origin more readily are matters requiring attention. Insofar as the US does not always recognise that trade facilitation precedes and improves gains from trade liberalisation, it has had trouble gaining the favour of developing APEC members like the Philippines.

## CONCLUSION

After reviewing the sociohistorical, security and economic aspects of the regional contest for Philippine affections between the US and China, it is evident that no suitor has an outright advantage in all three. As we have seen, each suitor has its own set of idiosyncrasies when it comes to approaching this Southeast Asian nation. While their foreign policies do help shape Filipino views of the US and China, these policies alone do not solely shape such views.

On the balance, however, there remains a durable tie between the Philippines and the United States that China has yet to approach. In recent years, Chinese officials have invoked the peaceful voyages of Chinese explorer Zheng He to parts of the Orient and beyond in the fifteenth century as a historical example of goodwill: despite China's overwhelming economic and military clout then, the admiral did not colonise the places he visited, and this example is meant to soothe present concerns of developing nations of a once more ascendant Middle Kingdom. Yet, as far as the Philippines is concerned, the United States has been more successful in presenting Uncle Sam as a benevolent uncle than China has in casting Zheng as a peaceful voyager seeking support from other shores. Unresolved territorial disputes over the South

China Sea belie this desired image of benevolence – especially for the Philippines, which has been attempting to read the tea leaves over PRC policy on this matter for quite some time.

That senior Chinese officials hint the South China Sea is a 'core national interest', implying that it is on par with Taiwan and Tibet among PRC territorial priorities, inspires particular caution given China's military might compared to that of its neighbours. Still, the more jingoistic elements of this claim are counterbalanced by a need to elicit the support of others in the neighbourhood. It is here where the Philippines has attempted to play a better hand by using ASEAN as a middle power 'bully pulpit,' though again China has been more attuned to negotiating economic arrangements than security arrangements with ASEAN.

To the surprise of some, then, the US-Philippine relationship remains durable even at a time when the United States is supposedly losing its foothold in any number of countries and regions. Cultural affinity and blood ties between both nations run deep. While the Philippines now has several economic ties with China, public opinion suggests these are more out of economic necessity than any real affection. Moreover, the Philippine economy complements that of the United States more than it does China's, given linguistic differences and that Chinese and Philippine exports often find themselves in competition in third markets.

In simple terms, the Philippines remains a country for America to lose and one for China to gain in the great game of the Asia-Pacific, where each nation's endorsement matters in the contest for regional influence. ■