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The Republic of the Philippines and U.S. Interests—2014

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Summary

The United States and the Republic of the Philippines maintain close ties stemming from the U.S. colonial period (1898-1946), the bilateral security alliance bound by the Mutual Defense Treaty of 1951, and common strategic and economic interests. In the past decade, the Philippines has been one of the largest recipients of U.S. foreign assistance in Southeast Asia, including both military and development aid. Many observers say that U.S. public and private support to the Philippines following Typhoon Yolanda (Haiyan), which struck the central part of the country on November 8, 2013, bolstered the already strong bilateral relationship.

Although the United States closed its military bases in the Philippines in 1992, the two sides have maintained security cooperation. Joint counterterrorism efforts, in which U.S. forces play a non-combat role, have helped to reduce Islamist terrorist threats in Mindanao and the Sulu Archipelago in the southern Philippines. During the past year, Washington and Manila have held discussions on the framework for an increased, non-permanent U.S. military presence in the Philippines.

Since 2012, the Philippines has played a key role in the Obama Administration's "rebalancing" of foreign policy priorities to Asia, particularly as maritime territorial disputes between China and other claimants in the South China Sea have intensified. The U.S. government has pledged greater security assistance to the Philippines as joint military exercises reorient from a domestic focus to an outward one. In 2013, after exhausting other means of resolving its disputes with China, the Philippines formally requested that an Arbitral Tribunal under the U.N. Convention on the Law of the Sea (UNCLOS) rule on whether China's claims and actions comply with the Law of the Sea. The United States is not a party to UNCLOS and does not take a position on the territorial disputes between the Philippines and China, but supports a peaceful resolution that is based upon international law and involves multilateral processes.

Key U.S. policy concerns related to the Philippines include the following issue areas:

- **External Security:** China slowly has taken greater control over access to some disputed land features in the South China Sea. These and other disputed territories could become flashpoints, where many observers fear that aggressive behavior by claimants could escalate to overt conflict, forcing the United States to choose whether to undertake a military response.
- **The Enhanced Defense Cooperation Agreement (EDCA):** The framework agreement, finalized in April 2014, allows for the increased presence of U.S. military forces, ships, aircraft, and equipment in the Philippines on a nonpermanent basis and greater U.S. access to Philippine military bases. Congress in its oversight and appropriations roles will scrutinize the objectives and costs of enhanced military cooperation.
- **Internal Security:** In January 2014, the Philippine government and the separatist insurgency Moro Islamic Liberation Front finalized an accord, the Comprehensive Agreement on Bangsamoro, which would grant a large level of political autonomy to Muslim areas in Mindanao and Sulu. However, resistance to the settlement, as well as sporadic armed attacks, small-scale bombings, and kidnappings by Islamist and communist groups in the southern Philippines, has continued.

- **Governance:** Although President Aquino helped to reestablish public trust in government and has maintained the Philippines' upward economic growth trajectory, his term expires in 2016, and it is uncertain whether his cleaner style of government will continue. U.S. assistance programs in the Philippines have aimed to combat corruption, strengthen the judiciary, improve fiscal policies, and promote broad-based economic growth, among other objectives.

Major efforts and aims of the 113th Congress have included providing assistance for Typhoon Yolanda (Haiyan) relief and recovery, reducing extrajudicial killings carried out by the Philippine Army, promoting a peaceful resolution to South China Sea disputes that is based upon international law and collaborative diplomatic processes, and supporting benefits for Filipino Veterans who served under or alongside U.S. Armed Forces during World War II.

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Overview

The United States and the Republic of the Philippines maintain close ties stemming from the U.S. colonial period (1898-1946), a history of extensive military cooperation, the bilateral security alliance bound by the Mutual Defense Treaty of 1951, and common strategic and economic interests. Other pillars of the bilateral bond include shared democratic values, enduring cultural affinities, and close people-to-people ties. Filipino Americans number nearly 4 million, making them the second-largest Asian American group after Chinese Americans, and comprise the largest foreign-born group in the U.S. Armed Forces.¹ An estimated 350,000 Americans live in the Philippines.² Despite general agreement on the importance of U.S.-Philippine relations, the potential for bilateral friction remains as interests and perceptions occasionally diverge regarding U.S. obligations under the alliance, Philippine sovereignty, human rights, trade, and other issues.

Although the United States closed its military bases in the Philippines in 1992 (Subic Naval Base and Clark Air Base), the two sides have maintained military cooperation through joint exercises and counterterrorism efforts aimed at maintaining inter-operability, addressing internal and external security threats, and achieving humanitarian objectives. Joint counterterrorism efforts, in which U.S. forces play a non-combat role, have helped to reduce terrorist threats in Mindanao and the Sulu Archipelago in the southern Philippines. Since 2012, the Philippines has played a key role in the Obama Administration's "rebalance" of foreign policy priorities toward Asia, particularly as maritime territorial disputes in the South China Sea have intensified. On November 16, 2011, U.S. Secretary of State Hillary Clinton and Philippine Secretary of Foreign Affairs Albert F. del Rosario signed the "Manila Declaration," which reaffirmed the bilateral security relationship and called for multilateral talks to resolve maritime disputes in the region. The Obama Administration pledged greater security assistance to the Philippines as joint exercises began to focus on maritime security. In March 2014, the two sides held the fourth Bilateral Strategic Dialogue, in which they discussed Typhoon Haiyan (known in the Philippines as Yolanda) recovery efforts, enhanced defense cooperation, economic ties, U.S. foreign aid programs, and other issues. During the past year, Washington and Manila have discussed the framework for an increased, non-permanent U.S. military presence in the Philippines.

On April 28, 2014, as President Obama visited the Philippines as part of a four-nation tour in Asia,³ the two sides announced an accord on the increased U.S. military presence, the Enhanced Defense Cooperation Agreement (EDCA). Observers called the announcement a centerpiece of the President's Asia trip. The 10-year, renewable arrangement represents a milestone in U.S. military engagement in the Philippines and the Administration's rebalance policy. However, it does not alter the principles of the Visiting Forces Agreement that has governed U.S.-Philippines military activities since 1998.

The Philippines is a vibrant democracy with a robust civil society. However, the country faces significant challenges to political stability and economic growth, including pervasive corruption, a weak judicial system, armed groups and insurgencies in parts of the country, extra-judicial

¹ In 2010, it was reported that roughly 87,000 Filipino immigrants had served in the U.S. Armed Forces. Migration Policy Institute, *Migration Information Source*, April 7, 2010, <http://www.migrationpolicy.org/article/filipino-immigrants-united-states-0/>

² The White House, *Fact Sheet: United States—Philippines Bilateral Relations*, April 28, 2014.

³ The other countries were Japan, South Korea, and Malaysia. See CRS Insight IN10045, *President Obama's Asia Trip: What Next for Congress?*, by Ben Dolven et al..

killings committed by security forces, and violence against journalists. Under President Benigno Aquino III, the Philippine government has become somewhat more transparent and accountable, it has reached a settlement with the Moro Islamic Liberation Front (MILF) in the south, and the economy has experienced solid growth. However, the Philippines continues to struggle with corruption, poverty, localized political violence, and a “culture of impunity,” all of which continue to hinder development, feed political instability, and breed pockets of ideological extremism.

U.S. public and private support to the Philippines following Typhoon Yolanda (Haiyan), which struck the central part of the country on November 8, 2013, bolstered the already strong bilateral relationship. Such assistance included approximately \$87 million in U.S. disaster aid and \$59 million in private sector contributions,⁴ a massive U.S. military humanitarian effort, public expressions of sympathy, and a flurry of diplomatic activity.⁵ On November 10, 2013, President Obama made a statement expressing sympathy and support to the people of the Philippines.⁶ On November 21, the Senate expedited the confirmation of the new U.S. Ambassador to the Philippines, Philip Goldberg, so that he could help coordinate U.S. humanitarian assistance there.

U.S. Secretary of State John Kerry travelled to the Philippines on December 17, 2013, where he met with President Aquino and visited the city of Tacloban, which had been devastated by the storm.

Both the humanitarian and military aspects of ongoing U.S. engagement were brought to bear after the storm and augur well for future humanitarian and military contingencies, according to many observers.⁷ Some observers opined that the response of the United States significantly boosted its soft power in the Philippines and the region, particularly in comparison to that of China, which offered relatively little aid.⁸ Some Philippine leaders and political commentators argued that the U.S. military response to the disaster strengthens the case for an enhanced U.S. military presence in the country.⁹

Colonial History

The Philippines was unified and colonized by Spain in 1542. Filipinos waged a rebellion against Spain in 1896, but their independence movement was not recognized by the United States, which acquired the territory from Spain in 1898 following the Spanish-American War. U.S. forces then battled Filipino resistance fighters until they were largely subdued in 1902. The Philippines became independent in 1946.

⁴ U.S. Chamber of Commerce Foundation, <http://ccc.uschamber.com/typhoon-haiyan>; USAID, *Philippines—Typhoon Yolanda/Haiyan*, Fact Sheet #20, Fiscal Year (FY) 2014, January 24, 2014.

⁵ See CRS Report R43309, *Typhoon Haiyan (Yolanda): U.S. and International Response to Philippines Disaster*.

⁶ President Obama on Typhoon Haiyan/Yolanda, <http://iipdigital.usembassy.gov/st/english/texttrans/2013/11/20131110286218.html#axzz2sHzfcOGU>

⁷ Scot Marciel, Principal Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State and Brigadier General Joaquin F. Malavet, Principal Director, Office of the Deputy Under Secretary of Defense (Asia & Pacific), U.S. Department of Defense, Center for Strategic & International Studies, *The U.S. Response to Typhoon Haiyan in the Philippines*, January 8, 2014.

⁸ China reportedly donated \$1.6 million in relief support and sent a hospital ship, the *Peace Ark*, to the Leyte Gulf.

⁹ Babe Romualdez, “Babe’s Eye View: Thank God for the United States!” *The Philippines Star*, November 17, 2013; Tara Quismundo, “Storm Showed We Need US-Del Rosario,” *Philippines Daily Inquirer*, November 26, 2013.

Policy Issues for Congress

Broad U.S. policy objectives include the following: maintaining the U.S.-Philippines alliance; assisting the Armed Forces of the Philippines (AFP); supporting peace and stability in conflict-affected areas, particularly Mindanao and the Sulu Archipelago; and promoting good governance and broad-based economic growth. Key U.S. policy concerns include the following issue areas:

- **External Security:** Territorial disputes between the Philippines and China remain tense, with frequent confrontations involving Chinese paramilitary or coastguard vessels, in and around Scarborough and Second Thomas Shoals (*Panatag* and *Ayungin* Shoals). China slowly has taken greater control over access to these reefs. These and other disputed territories could become flashpoints with a risk that overt conflict could occur, forcing the United States to choose whether to undertake a military response, and if so, what form of response.
- **The Enhanced Defense Cooperation Agreement (EDCA):** The framework agreement, finalized in April 2014, allows for the increased presence of U.S. military forces, ships, aircraft, and equipment in the Philippines on a nonpermanent basis and greater U.S. access to Philippine military bases. No large-scale U.S. troop realignments have been proposed. Congress in its oversight and appropriations roles will scrutinize the objectives and costs of enhanced military cooperation.
- **Internal Security:** In January 2014, the Philippine government and the MILF finalized an accord, the Comprehensive Agreement on Bangsamoro, which would grant a large level of political autonomy to Muslim areas in Mindanao and Sulu. However, the region remains economically poor, politically unstable, and armed. Resistance to the settlement, as well as sporadic armed attacks, small-scale bombings, and kidnappings by Islamist and communist groups has continued. U.S. Joint Special Operations Task Force–Philippines (JSOTF-P) provides support to the Philippine military to maintain security and carry out development activities.
- **Governance:** Although President Aquino helped to reestablish public trust in government and has maintained the Philippines’ upward economic growth trajectory, his term expires in 2016, and it is uncertain whether his cleaner style of government will continue. U.S. assistance programs in the Philippines have aimed to combat corruption, strengthen the judiciary, and improve fiscal policies, among other objectives. The Philippines-United States Partnership for Growth aims to accelerate broad-based economic growth in the Philippines. The U.S. Congress also has imposed restrictions on some military assistance in order to prevent extra-judicial killings by members of the Philippine armed forces.

Political Developments

Many aspects of institutional democracy are practiced to the fullest in the Philippines. Citizens generally can exercise political and civil rights with few restrictions, openly criticize national leaders, and enjoy academic freedom and religious liberties. The country has a robust civil society and a lively press. However, the state often has been unable to stand above or control competing

interests. Patterns of patronage and cronyism; entrenched socioeconomic elites; the influence of local clans and power holders; the lack of civilian control over the security forces; Muslim and communist insurgencies; and a weak judicial system have allowed corruption to thrive, undermined governmental effectiveness, and led to human rights abuses. In 2013, the Economist Intelligence Unit (EIU) ranked the Philippines 69th out of 167 countries in terms of its level of democracy (up from 75th in 2012), placing it in the “flawed democracy” category, along with other Asian countries such as Indonesia, Thailand, and Malaysia. Although the EIU ranked the Philippines high on the electoral process and civil liberties, the country received a relatively low score on political culture.

The ability of the Philippine government to carry out policies effectively is often further frustrated by the fragmented nature of the country’s politics. The legislature acts as a “watchdog” against the executive branch, but historically has had difficulty articulating and carrying out broad policy objectives and programs. Political parties and groupings tend to be tenuous and shifting, driven more by individual personalities and interests than by unifying ideologies, policy platforms, and goals.¹⁰

President Benigno Aquino III retains high public approval ratings four years into his presidency, deriving from his reputation for eschewing corruption and his family’s lasting popularity. The former senator and son of former president Corazon Aquino and democratic leader Benigno Aquino Jr. was elected President in 2010 by a large margin.¹¹ To many observers, Aquino’s presidency has represented a political and cultural shift in the Philippines—a move toward cleaner government, greater sensitivity to political and economic grievances, and less emphasis upon eradicating Muslim and communist insurgencies through military means. In May 2013, Aquino’s Liberal Party performed strongly in mid-term parliamentary and local elections, giving the President a stronger political mandate.

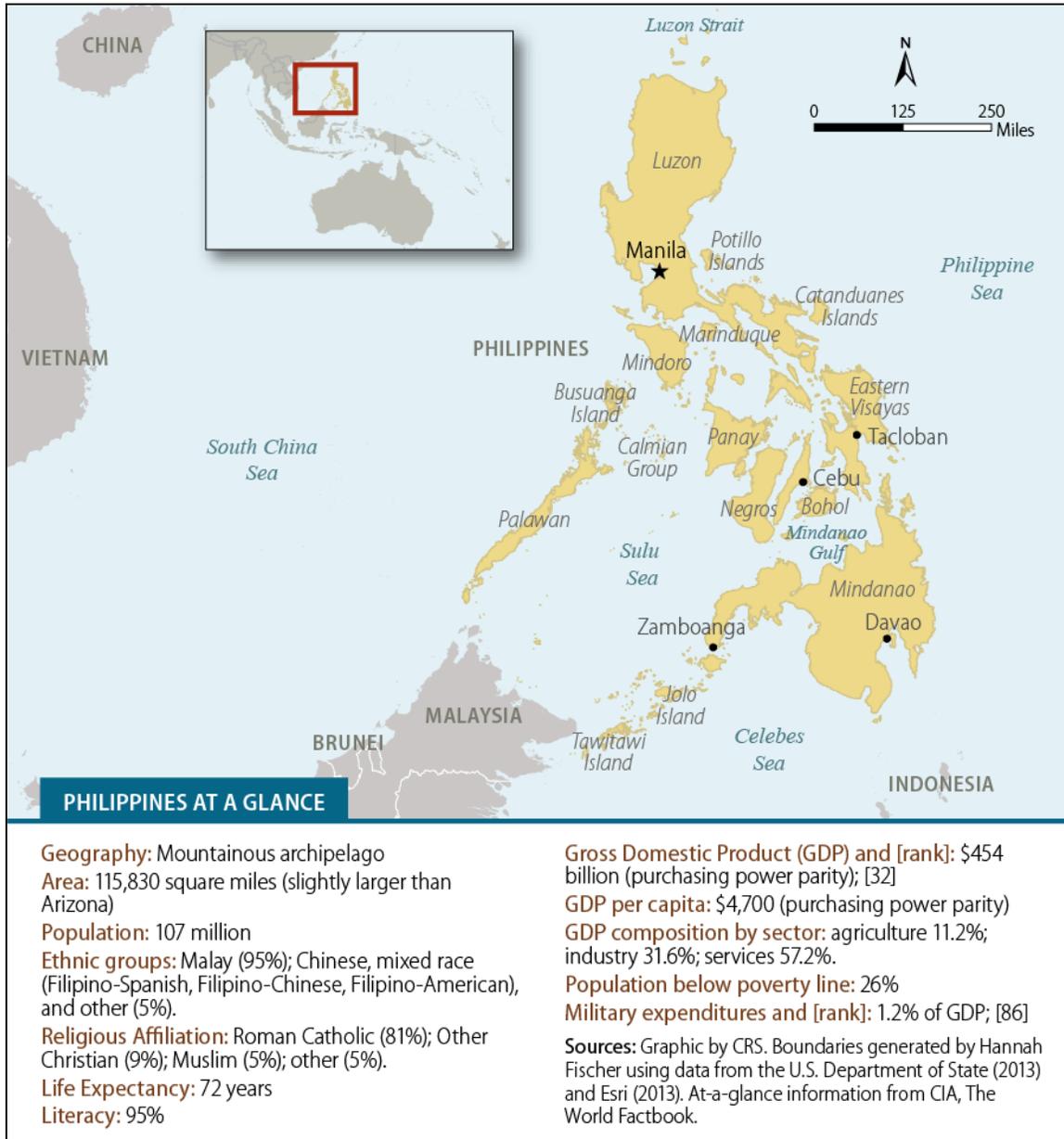
Philippine presidents serve a single six-year term and are barred from seeking re-election, so Aquino cannot seek the presidency when the next polls take place in 2016. Analysts note that while he has retained his personal popularity much longer into his term than have many Philippine presidents, he now is nearly two-thirds of the way through his presidency, and aspirants for the next presidential elections are likely to begin campaigning in the months ahead. Given the highly personalized character of Philippine politics, many experts believe it may become more difficult for Aquino to pursue new legislative initiatives or to undertake deeper anti-corruption measures than he has thus far in his presidency. Indeed, since July 2013, analysts say Aquino has struggled to keep his own anti-corruption image intact, given allegations that several legislators, including some of his own allies, had misused millions of dollars in discretionary government funds.¹²

¹⁰ Alex Magno, “The Perils of Pedestals,” *Time Asia*, July 11, 2005.

¹¹ In 1983, opposition leader Benigno Aquino Jr. was assassinated upon returning home to Manila after three years living in exile in the United States. In 1986, his wife, Corazon, led the overthrow of authoritarian president Ferdinand Marcos, who had ruled the Philippines for over two decades.

¹² “Analysis – Aquino’s Mr. Clean Image Skewered by Philippine Pork Barrel Politics,” *Reuters*, October 31, 2013.

Figure I. The Philippines



Extrajudicial Killings and Politically Motivated Violence

Although the Philippine government generally upholds freedoms, it often is unable to protect the rights of some citizens, particularly at the local level. A weak judicial system and lack of security, particularly in southern regions of the country, have led to human rights abuses by the military, private militias, and powerful political families or local clans. Extrajudicial killings by the military of individuals linked to Muslim insurgents and leftist groups and politically motivated

acts of violence against journalists and other media figures remain serious problems, although incidents of such violence have decreased in recent years. Human rights groups have called the Philippines one of the most dangerous places in the world for journalists. The Committee to Protect Journalists ranked the country “third worst” on its 2013 Impunity Index due to the low rate of convictions related to the murder of journalists. *Reporters Without Borders* ranked the Philippines 149th out of 180 countries for press freedom in 2014, just ahead of Russia, due to violence against media personnel.¹³ According to various reports, between 8 and 14 journalists were killed in 2013.¹⁴ In many instances, local power holders targeted journalists, broadcasters, or political commentators who had rented “block time” on the radio, during which they openly criticized local elites, exposed corruption and crime, or raised human rights issues.

The Maguindanao Massacre

In November 2009, 57 members of a convoy that included family members and media workers on their way to file for the candidacy of Ismail Mangudadatu for the governorship of Maguindanao province (western Mindanao) were murdered. The powerful Ampatuan clan was implicated in the massacre. Clan leader Andal Ampatuan, Sr., the incumbent governor, possessed a private army and enjoyed close ties to former President Gloria Arroyo, reportedly helping her to win the province in 2004. Ampatuan, Sr. has been charged with vote tampering for President Arroyo in 2007. Andal Ampatuan, Jr., the chief suspect in the massacre, had hoped to succeed his father as governor. Ismail Mangudadatu later won the election. The trial for Ampatuan’s alleged role in the killings commenced in January 2011, but has proceeded slowly due to procedural delays, a lack of judicial resources, and legal moves by the Ampatuan defense team.

According to some experts, a chief factor contributing to the cycle of corruption, poverty, instability, and violence in Mindanao is clan conflict and vendettas, also known as *rido*, of which the Mangudadatu-Ampatuan rivalry is an example. The Philippine government, the AFP, local police, and factions of Muslim separatist organizations have backed various clans and enlisted their support and that of their private militias. Some analysts believe that the peace process between the government and the Moro Islamic Liberation Front may reduce armed conflict in the region as well as lessen the problem of clan conflict.

The State Department refers to “a dysfunctional criminal justice system notable for poor cooperation between police and investigators, few prosecutions, and lengthy procedural delays....”¹⁵ According to experts, the Philippine justice system is underfunded, understaffed, and backlogged. The police and courts have been accused of failing to conduct proper investigations and prosecute those responsible for the violence, while higher levels of government have been blamed for their political ties to corrupt local power holders.¹⁶ More than five years after the Maguindanao Massacre, perhaps the worst mass political killing since Philippine independence, there have been no convictions, although President Aquino has pressured the Department of Justice to convict the principal accused by the end of his term in office in 2016.¹⁷ (See **textbox**.)

¹³ Committee to Protect Journalists, <http://www.cpj.org/2014/02/attacks-on-the-press-in-2013-philippines.php>.

¹⁴ Gilbert P. Felongco, “The ‘Undeclared War’ on Philippines Journalists,” *Gulfnews.com*, December 13, 2013; “Philippines Has World’s Third Most Killings of Journalists,” *Philstar.com*, February 20, 2014; “Philippine Ranking Drops in World Prses Freedom Index,” *Center for Media Responsibility*, February 14, 2014.

¹⁵ Department of State, *Country Reports on Human Rights Practices for 2013 (Philippines)*, February 2014.

¹⁶ W. Scott Thompson, “Philippines: The Culture Of Impunity,” *Los Angeles Times*, December 11, 2009.

¹⁷ Jason Guitierrez, “Maguindanao Massacre Convictions by 2016,” *Agence France Presse*, May 6, 2013.

Economic Conditions

The Philippines has experienced steady economic growth during the past decade, averaging annual growth rates of about 5%. Though its long-term economic expansion has been slower than that of some Southeast Asian neighbors, growth has accelerated substantially over the past two to three years, with some observers describing the Philippines as one of the strongest performing economies in the region. The economy is forecast to expand by 6.7% in 2014, slightly less than the estimated 6.9% growth of 2013.¹⁸ According to some analysts, GDP growth is expected to continue to be strong despite the costs of Typhoon Yolanda (Haiyan), estimated at \$13 billion.¹⁹

Foreign direct investment (FDI) also has improved. Although FDI in the Philippines remains low by regional standards, it has been growing at a faster rate than that in neighboring countries—185% in 2012, to \$2.8 billion. Both Moody's and Standard & Poor's upgraded the country's credit rating to full investment-grade in 2013. Last year, the World Bank's International Finance Corporation ranked the Philippines 108th out of 189 economies in the world for "ease of doing business," an improvement of 30 places compared to 2012.²⁰ Among the major obstacles to stronger economic performance and greater FDI are poor revenue collection, inadequate spending on social services and infrastructure, and government corruption and instability, although the Aquino government has taken some successful steps to reverse these problems, say experts. Legal obstacles and an opaque business environment dominated by familial oligarchs also have discouraged foreign investment. *Transparency International* ranked the Philippines 94th out of 177 countries in terms of perceived levels of public sector corruption in 2013, up from 105th in 2012.²¹

Filipino workers continue to leave the country for jobs overseas despite economic growth at home. The Philippines is the world's fourth-largest recipient of remittances, after India, China, and Mexico. Remittances from roughly 1.8 million Overseas Filipino Workers (OFW) totaled an estimated \$26 billion in 2013, representing about 10% of GDP and the largest source of foreign exchange after exports.²² While this source of income is a boon to the economy and provides a lifeline following natural disasters such as Typhoon Yolanda (Haiyan), some observers argue that it promotes consumption over long-term investment. Furthermore, the flight of educated professionals represents a brain drain as well as the depletion of the middle class, which has long been considered the bulwark of democracy in the Philippines.

Two-way goods trade between the United States and the Philippines totaled \$14.5 billion in 2013. The principal trading partners of the Philippines are China (including Hong Kong), Japan, and the United States. (See **Table 1**.) The Philippines incurs surpluses with all three major trading partners. Its largest export items include wood and wood products, electrical machinery, and other items to Japan; electrical and other machinery, apparel, and other items to the United States; and machinery, electronics, minerals, and other items to China.²³ The United States long has been the

¹⁸ Economist Intelligence Unit, *Country Report: Philippines*, January 23, 2014.

¹⁹ "Philippines Economy on Track, Despite Human Cost of Typhoon Haiyan," *Reuters*, November 12, 2013.

²⁰ <http://doingbusiness.org/rankings>

²¹ Transparency International, <http://cpi.transparency.org/cpi2013/results/>

²² Karl Lester, M. Yap and Cecilia Yap, "Philippine Diaspora to Rescue Shows Remittance Reliance: Economy," *Bloomberg*, November 25, 2013.

²³ *Global Trade Atlas* using Philippines data.

largest source of foreign investment in the Philippines, with \$6 billion in cumulative FDI at the end of 2012.²⁴ Other large investors in the country are Japan, South Korea, the United Kingdom, the Netherlands, and Taiwan.²⁵ The Philippines is now the world’s second-largest location for business process outsourcing, after India, with the industry employing an estimated 800,000 workers, and it has the world’s largest call center industry.²⁶

Table I. Bilateral Trade between the Philippines and the United States, Japan, and China, 2013
(U.S. dollars in billions)

Trading Partner	Imports	Exports	Total Trade
Japan	5.2	11.4	16.6
China	8.0	6.6	14.6
Hong Kong, China	1.3	4.4	5.7
U.S.	6.7	7.8	14.5

Source: Global Trade Atlas using Philippines statistics. Philippines and U.S. data may diverge slightly due to different counting methods.

Note: Hong Kong is a special administrative region of China but a separate economic entity and customs territory.

U.S. Trade Programs

The United States and the Philippines conduct regular economic talks under a Trade and Investment Framework (TIFA) agreement originally signed in 1989. Arrangements under the TIFA include a customs administration and trade facilitation protocol (2010), a memorandum of understanding to cooperate on stopping illegal transshipments of textiles and apparel (2006), and a memorandum of understanding regarding the implementation of minimum access commitments by the Philippines (1998). The Philippines is the sixth-largest beneficiary of the U.S. Generalized System of Preferences (GSP) program, which grants preferential duty treatment for some items exported to the United States.²⁷

The Philippines is one of four countries selected to participate in the Partnership for Growth (PFG) program, and the only one in Asia, based upon its performance on Millennium Challenge Corporation (MCC) selection criteria, record of partnering with the United States, policy performance, and potential for continued economic growth.²⁸ The Philippines-United States Partnership for Growth, a U.S. interagency effort, aims to remove obstacles to, accelerate, and sustain broad-based economic growth in the Philippines, identify areas to promote investment, and solicit the involvement of both the public and private sectors and civil society. It also aims to help the Philippines prepare for the goal of joining the Trans-Pacific Partnership (TPP), a regional

²⁴ Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov>

²⁵ U.S. Department of State, *Background Note: Philippines*, op. cit.

²⁶ Karen Brooks, “Indonesia and the Philippines: A Tale of Two Archipelagoes,” *Foreign Affairs*, January 1, 2014.

²⁷ The top five countries are India, Thailand, Brazil, Indonesia, and Turkey. Office of the United States Trade Representative, *GSP by the Numbers*, March 5, 2014.

²⁸ The other three PFG countries are El Salvador, Ghana, and Tanzania.

free trade agreement. Under the PFG, the two countries assented to a five-year Joint Country Action Plan (2012-2016), which focuses on creating a more transparent, predictable, and consistent legal and regulatory regime; fostering a more open and competitive business environment; strengthening the rule of law and increasing efficiency in the court system; and supporting fiscal stability through better revenue and expenditure management.²⁹

U.S. Foreign Assistance

In the past decade, the Philippines has been one of the largest recipients of U.S. foreign assistance in Southeast Asia, including both military and development aid.³⁰ Over half of U.S. assistance to the country has supported development programs in Muslim areas of Mindanao and Sulu, with the aim of reducing the economic and political conditions that make radical or extremist ideologies and activities attractive.³¹ Major U.S. assistance programs include strengthening the rule of law, streamlining the process of obtaining business permits, improving government services in Mindanao, expanding access to health care, and bolstering the AFP’s capacity to patrol and govern the country’s maritime domain. (See **Table 2**.)

Table 2. U.S. Assistance to the Philippines, FY2008-FY2015
(U.S. dollars in thousands)

Account	2008	2009	2010	2011	2012	2013	2014 Estimate	2015 Request
GHP	24,967	27,175	33,220	32,437	33,800	32,810	32,500	31,200
DA	27,321	30,000	40,310	79,055	81,055	85,755	87,682	115,182
ESF	42,773	30,000	30,000	0	0	15,500	0	0
FMF	27,757	28,000	29,000	11,970	27,000	25,483	50,000	40,000
IMET	1,525	1,730	1,850	1,971	1,954	1,614	1,700	2,000
INCLE	794	800	1,365	2,065	2,450	2,996	8,000	9,000
NADR	4,562	4,175	5,625	9,525	9,525	8,945	9,100	6,100
Total	131,707	123,889	143,380	139,034	157,796	173,103	188,982	203,482

Source: Department of State, *Congressional Budget Justification for Foreign Operations (FY2008-15)*

Notes: Foreign Aid Account Acronyms: GHP—Global Health Programs; DA—Development Assistance; ESF—Economic Support Fund; FMF—Foreign Military Financing; IMET—International Military Education and Training; INCLE—International Narcotics Control and Law Enforcement; NADR—Non-Proliferation, Anti-Terrorism and De-Mining. Some years include USAID funding for programs in Pacific Island countries that are administered by the USAID in Manila.

²⁹ *Fact Sheet: United States-Philippines Partnership for Growth*, November 16, 2011, http://manila.usembassy.gov/us_ph_pfg.html

³⁰ In terms of grant assistance, Australia, the United States, and Japan are the largest providers of official development assistance to the Philippines. Organisation for Economic Cooperation and Development, Creditor Reporting System.

³¹ USAID, <http://www.usaid.gov/policy/budget/cbj2007/ane/ph.html>; Max Boot and Richard Bennet, “Treading Softly in the Philippines,” *The Weekly Standard*, January 5-12, 2009.

Military Assistance

U.S. military assistance to the Philippines has continued to grow. It aims to help the country's military, considered one of the weakest in Southeast Asia, to transition from an inward focus on domestic threats to an outward one, and to help the country to establish a "credible security presence and awareness in the maritime domain."³² The Congressional Budget Justification for Foreign Operations, FY2014, stated: "Security assistance supports the Administration's strategic rebalance toward Asia by helping the Philippines become a more capable partner in promoting regional security." For FY2014, the Obama Administration requested a large increase in Foreign Military Financing (FMF) for the Philippines (\$50 million), in line with congressional support for bolstering the Philippines' external defenses. In December 2013, on a trip to meet Philippine officials and visit storm-affected areas, Secretary of State John Kerry promised to give the country an additional \$40 million in maritime security assistance.

According to one report, between 2002 and 2013, the United States provided the Philippines a total of \$312 million in military assistance as well as various types of military equipment.³³ Between 2008 and 2013, the U.S. Congress placed conditions upon a portion of Foreign Military Financing (FMF) to the Philippines (withholding \$2 million-\$3 million annually) in order to encourage human rights improvements related to extra-judicial killings by members of the AFP. These restrictions applied only to the Army.³⁴

The Philippines reportedly plans to spend over \$1.7 billion over five years (2013-2017) to buy ships, helicopters, and weapons to bolster its defense capabilities.³⁵ The United States government has promised to help the AFP, particularly its navy, acquire more modern equipment. Since 2011, the Aquino Administration has purchased two decommissioned U.S. Coast Guard Hamilton-class cutters (both of which date back to 1967-1968), which are now the largest vessels in the Philippine navy. The first ship, renamed the *BRP Gregorio del Pilar*, became the new flagship. The second vessel, the *BRP Ramon Alcaraz*, was delivered in 2013. The Aquino administration reportedly seeks six more frigates and is in negotiations to acquire a squadron of surplus F-16 fighter jets.

The Philippines has been strengthening defense ties with other countries in Asia, including Vietnam and Japan, which have maritime territorial disputes with China as well. In recent years, the Philippines and Vietnam have reached agreements on cooperation in the areas of maritime security, navy-to-navy contacts, and information sharing. In July 2013, Japanese Prime Minister Shinzo Abe met with President Aquino in Manila and announced a plan to finance and deliver 10 coast guard ships and strengthen maritime cooperation.³⁶ France and South Korea also have

³² See Testimony by Dr. Peter Lavy, Acting Assistant Secretary of Defense, before the House Committee on Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade, February 7, 2012.

³³ Manuel Mogato, "U.S. Raises Military Assistance to the Philippines," *Reuters*, July 31, 2013.

³⁴ To meet FMF conditions, annual foreign operations appropriations legislation required the Secretary of State to report that the Government of the Philippines was prosecuting those responsible for extrajudicial executions and promoting human rights policies in the AFP. For FY2014, Congress kept the reporting requirement but removed the conditions. See Division K of the Joint Explanatory Statement of the Consolidated Appropriations Act, 2014 (P.L. 113-76).

³⁵ Joel Guinto and Clarissa Batino, "Philippines to Host Talks on U.S. Troops Amid China's Rise," *Bloomberg*, August 12, 2013; Tarra Quismundo, "Withdraw Ships, Philippines Tells China," *Philippine Daily Inquirer*, May 28, 2013; Victor Reyes, "We Got the Better Deal, Say Panelists," *Malaya*, May 2, 2014.

³⁶ "Loan Plan for New Philippines Patrol Ships Unveiled," *Kyodo*, July 28, 2013; Alexis Romero, "China Boosts (continued...)"

announced the sale of patrol boats and fighter jets to the Philippines, although Philippine officials have stressed that these acquisitions are not aimed at China.³⁷

Millennium Challenge Account

The Millennium Challenge Account, established in 2004, rewards countries that have demonstrated good governance, investment in health and education, and sound economic policies. In 2010, the MCC approved a five-year, \$434 million compact with the Philippine government. The agreement aims to help modernize the Bureau of Internal Revenue; expand a community-driven, poverty-reduction program; and promote economic growth through investment in infrastructure. Principal projects include the following:³⁸

- The Revenue Administration Reform project (\$54.4 million) addresses the need to raise tax revenues and reduce tax evasion and corruption.
- The Kalahi-CIDSS project (\$120 million) aims to reduce poverty through the building of infrastructure, community participation in development projects, and improved government responsiveness.
- The Secondary National Roads Development project (\$214 million) rehabilitates an existing 22 kilometer road segment, thereby reducing transportation costs and promoting commerce between the provinces of Samar and Eastern Samar.

U.S.-Philippines Security Ties, Military Relations, and Counterterrorism Cooperation

The Philippines is a treaty ally of the United States under the 1951 Mutual Defense Treaty. The two nations have common strategic interests, and the Philippines relies heavily upon the United States for its external security. The Philippines and the United States long have conducted joint military activities to bolster the AFP's ability to respond to security threats and to cooperate with U.S. military forces. Following the terrorist attacks in the United States in September 2001, the Bush Administration proclaimed the Philippines, with its Muslim insurgency and Islamist terrorist networks, as a front-line state in the global war on terrorism. The United States designated the Philippines as a Major Non-NATO Ally on October 6, 2003, after President Gloria Macapagal-Arroyo announced Manila's support for the U.S.-led invasion of Iraq.

(...continued)

Presence Near Reef," *Philippine Star*, July 30, 2013; Carl Thayer, "Is a Philippines-Vietnam Alliance in the Making?" *The Diplomat*, March 28, 2014.

³⁷ "Philippines to Get Five French Patrol Boats," *Agence France Presse*, October 30, 2012; Alexis Romero, "Acquisition of Jets Not Related to China Row, Defense Says," *Philippine Star*, October 22, 2013.

³⁸ Millennium Challenge Corporation, *MCC and the Philippines: Creating Opportunities for Growth*, August 9, 2010, <http://www.mcc.gov/documents/press/factsheet-2010002036001-philippinescompact.pdf>

Visiting Forces Agreement

The U.S.-Philippines security relationship has gained renewed prominence as Washington has adopted a policy of rebalancing toward Asia, and particularly in light of territorial disputes in the South China Sea. Filipinos have held ambivalent attitudes toward U.S. military influence. In 1991, the Philippine Senate voted 12-11 to revoke the Military Bases Agreement between the Philippines and the United States, forcing the closure of Subic Naval Base and Clark Air Force Base. However, the American military presence continued on a limited basis and joint military activities eventually resumed. In 1995, Philippine President Fidel Ramos invited U.S. forces back, partially in response to China's construction of buildings on Mischief Reef in the disputed Spratly Islands chain in the South China Sea. A Visiting Forces Agreement (VFA), allowing joint Philippine-U.S. military operations, was signed by the two countries in 1998 and ratified by the Philippine Senate in 1999, despite protests by the Catholic Church of the Philippines, leftist politicians and academics, and others. Among other provisions, the VFA requires that U.S. military forces assume a non-combat role and do not establish a permanent base of operations on Philippine soil.

In 2002, the Philippines became an important base in the U.S. War on Terror in Southeast Asia. The Arroyo administration signed a Military Logistics and Support Agreement (MLSA), allowing the United States to use the Philippines as a supply base for military operations throughout the region, while U.S. Special Forces were deployed to the Sulu Archipelago in order to provide support to the AFP in counter-terrorism efforts. Joint exercises aimed primarily at Islamist terrorist groups in western Mindanao and Sulu significantly reduced their potency. In 2011, military cooperation began to shift focus toward potential external security threats in the South China Sea.

Mutual Defense Treaty and Territorial Disputes

The U.S.-Philippines Mutual Defense Treaty (MDT) of 1951, which forms the foundation of the bilateral security alliance, does not explicitly obligate the United States to come to the defense of maritime areas *that are disputed* by the Philippines and other nations, and may leave room for different interpretations. Article IV of the Treaty states: "Each Party recognizes an armed attack in the Pacific Area on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes." Article V refers to an armed attack on the "metropolitan territory of either of the Parties," the "island territories under its jurisdiction in the Pacific Ocean," or its "armed forces, public vessels, or aircraft in the Pacific."³⁹

Some Philippine and U.S. officials suggest that the Treaty obligates the United States to come to the defense of the Philippines if China were to attempt to take disputed maritime territories in the South China Sea by force.⁴⁰ Other analysts argue that it is unclear whether the South China Sea is

³⁹ For further information, see CRS Report R42784, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*. The full treaty can be found at <http://www.chanrobles.com/mutualdefensetreaty.htm>

⁴⁰ "Statement of Foreign Affairs Secretary Albert F. del Rosario Regarding the The Philippines-US Mutual Defense Treaty," May 9, 2012; Manuel Mogato, "U.S. Admiral Assures Philippines of Help in Disputed Sea," *Reuters*, February 13, 2014; Marichu Villanueva, "US Committed to Defense Pact with Phl," *Philippine Star*, February 25, 2014.

part of the Pacific Area as referred to in the MDT, and what type of assistance the United States might offer.⁴¹ Furthermore, some scholars contend that the treaty is not “self-executing” and that any American military action would require U.S. congressional approval.⁴² During his April 2014 visit to the Philippines, President Obama asserted that the Treaty requires the United States to help defend the Philippines against external armed attack, adding that “our commitment to defend the Philippines is ironclad.” However, he stopped short of saying that the MDT would apply to Philippine-claimed islets in the South China Sea.⁴³

Joint Military Activities

Balikatan

“Balikatan” (*Shoulder-to-Shoulder*), the most comprehensive among several annual or regular U.S.-Philippines joint military exercises, aims to develop Philippine combat readiness and U.S.-AFP interoperability. The exercises increasingly have been aimed at building the Philippines’ capacity to defend itself in a territorial dispute.⁴⁴ First held in 1991, Balikatan was suspended in 1995-1999 as the Visiting Forces Agreement was being negotiated. As with most U.S. military involvement in the Philippines, Balikatan contains a large humanitarian component, including community development projects. Under the EDCA, more frequent Balikatan exercises are planned.

In May 2014, the 30th Balikatan event, the first since the signing of the EDCA, involved 3,000 AFP soldiers and 2,500 U.S. troops. The exercises, held in a number of Philippine locations, emphasized maritime security and humanitarian assistance. They involved joint naval, air, and land maneuvers and included maritime surveillance activities, live-fire drills, training on bomb handling, and mass casualty response exercises. Australia reportedly sent 65 military personnel to participate in drills and humanitarian activities.⁴⁵ The 2013 Balikatan programs included roundtables on humanitarian assistance and disaster relief that involved 11 nations, including China.⁴⁶

The Joint Special Operations Task Force–Philippines

The 2001 terrorist attacks in the United States prompted concern over Al Qaeda’s links around the world, including its ties to the Abu Sayyaf Group (ASG), an Islamist terrorist organization based on Basilan and Jolo islands in the Sulu Archipelago. In 2002, Presidents Arroyo and Bush agreed on the deployment of U.S. military personnel to train and assist the Philippine armed forces against the ASG and Jemaah Islamiyah (JI), a Southeast Asian Islamist terrorist organization

⁴¹ Ricardo Saludo, “Big Holes in the Philippines-US Defense Treaty,” *The Manila Times*, March 20, 2014.

⁴² Julie M. Aurelio, “PH-US Defense Pact Doesn’t Apply in Spratlys Dispute, Says Ex-UP Law Dean,” *Philippine Daily Inquirer*, June 29, 2011; Ricardo Saludo, “Big Holes in the Philippines-US Defense Treaty,” *The Manila Times*, March 20, 2014.

⁴³ Ashzel Hachero, “DFA Insists US Will Help PH If Attacked,” *Malaya*, May 1, 2014.

⁴⁴ “Philippine, U.S. Forces Begin Joint Military Exercise in Philippines,” *Kyodo News*, April 5, 2013.

⁴⁵ “US, Filipino Troops Begin Large Military Drill,” *The Hindu*, May 5, 2014. Australia is the only country besides the United States to have an agreement with the Philippine government that allows it to deploy troops in the Philippines.

⁴⁶ “Philippines, US End ‘Balikatan’ War Games,” *Philippine Daily Inquirer*, April 18, 2013; Rene Acosta, “US, PHL to Expand Exercise Prior to Military Agreement,” *Business Monitor*, January 9, 2014.

based in Indonesia. The Joint Special Operations Task Force–Philippines (JSOTF-P) was established as part of Operation Enduring Freedom to support “the comprehensive approach of the Armed Forces of the Philippines in their fight against terrorism.”

JSOTF-P advises and assists the AFP in the execution of four major counter insurgency and counterterrorism objectives: deny insurgent/terrorist sanctuary; deny insurgent/terrorist mobility; deny insurgent/terrorist access to resources; and separate the population from the insurgent/terrorist. Related activities include military training, intelligence operations, casualty evacuation and care, and humanitarian and development assistance.⁴⁷ The Task Force consists of rotating units of Special Forces of the U.S. Army and Air Force, Navy SEALs, Psychological Operations, and other U.S. military personnel, at a cost of about \$50 million annually. Since the middle of the last decade, on average, 500-600 JSOTF-P personnel (down from nearly 2,000 in 2003), based in temporary facilities in western Mindanao and Jolo, have advised and assisted two Philippine Regional Combatant Commands.⁴⁸ In keeping with the Philippine Constitution’s ban on foreign combat troops operating inside the country and Filipino sensitivities about sovereignty, Washington and Manila negotiated special rules of engagement. U.S. troops play a subordinate role. They take direction from AFP commanders, operate “by, through and with” their Filipino counterparts, and use force only to defend themselves or when fired upon. Since the operations began, 17 JSOTF-P troops have died—3 in bombings and the remainder in a helicopter crash and non-combat incidents.⁴⁹ Some members of JSOTF-P supported relief efforts in Leyte province following Typhoon Yolanda (Haiyan).

Joint counterterrorism efforts, along with development aid, have helped to significantly reduce the size of the Abu Sayyaf Group to a few hundred members. Nearly all key ASG leaders have been killed or captured, and the group’s religious mission and appeal have waned. Since the mid-2000s, the ASG has become more of a criminal organization rather than a religious or ideological one, and its attacks have diminished to include sporadic and small-scale kidnappings and bombings.⁵⁰ The non-military component of the Philippine-U.S. counterterrorism strategy, such as the provision of medical care and the construction of schools and infrastructure, reportedly has enhanced the legitimacy of the AFP and Philippine government among local communities and created positive impressions of U.S. troops. Some observers argue, however, that the Philippine government lacks the capacity to sustain U.S.-backed development projects on its own.⁵¹ And while the ASG may no longer possess the organizational and ideological strength to constitute a key terrorist threat or link in the Philippines and Southeast Asia, its continued existence and criminal activities complicate and exacerbate the unstable security and political situation in Mindanao and elsewhere. Clashes between the AFP and Abu Sayyaf militants in April 2014 in Sulu resulted in dozens of casualties on both sides.⁵²

⁴⁷ David S. Maxwell, “Commander’s Summary of the Joint Special Operations Task Force Philippines (JSOTF-P) 2006-07”; Juliana Gittler, “Special Forces to Begin Training Philippines Troops,” *Stars and Stripes*, February 23, 2003; “U.S. Field Commander Says Livelihood Projects Key To Uproot Insurgency in Philippines,” *Xinhua*, September 1, 2009.

⁴⁸ Adrienne Mong, “U.S. Troops’ Presence in the Philippines Altruistic?” *NBC News*, October 2, 2010.

⁴⁹ Jim Michaels, “Philippines a Model for Counterinsurgency,” *USA Today*, March 30, 2011.

⁵⁰ U.S. Department of State, Office of the Coordinator for Counterterrorism, *Country Reports on Terrorism 2012* (May 30, 2013).

⁵¹ Robert Kaplan, “Imperial Grunts,” *The Atlantic*, October 2005; Adrienne Mong, op. cit.

⁵² Julie Alipala, “24 Abu Sayyaf Men Killed, 24 Others Injured in Sulu Clashes,” *Philippine Daily Inquirer*, May 1, 2014.

CARAT and PHIBLEX Exercises

Other annual joint exercises include the Cooperation Afloat Readiness and Training (CARAT) naval event and the Amphibious Landing Exercise (PHIBLEX). In June 2013, U.S. and AFP naval ships and 1,000 troops engaged in joint exercises near the Scarborough and Second Thomas Shoals (*Panatag* and *Ayungin*), over which both the Philippines and China claim sovereignty. The drills, reportedly planned in 2010, included live fire drills, maritime interdiction, ship boarding and seizure, and aerial surveillance.⁵³ In September 2013, roughly 2,300 U.S. and Philippine marines participated in PHIBLEX exercises involving two U.S. warships and live fire exercises.

Enhanced U.S.-Philippine Military Cooperation

As part of the U.S. rebalancing toward Asia and what many analysts perceive as a response to China's growing assertiveness regarding territorial disputes in the South China Sea, U.S. and Philippine officials have discussed bolstering the U.S. military presence in the Philippines, including allowing greater U.S. ship and aircraft access to Philippine military facilities, particularly at Subic Bay; increasing U.S. military forces in the country on a non-permanent basis; and raising the number and frequency of joint military exercises, ship visits, and related activities. Given Philippine constitutional prohibitions and nationalistic sensitivities, the U.S. desire to maintain a "light footprint," and U.S. budget constraints, no U.S. bases or large-scale troop realignments have been proposed.⁵⁴ The Philippine government reportedly plans to redevelop the former U.S. Naval Base at Subic Bay and to shift key naval and air assets there. According to some officials, Subic Bay, which faces Scarborough Shoal and other disputed areas, would boost the AFP's "response time to waters contested by China."⁵⁵ The island of Palawan, which is strategically located beside the South China Sea, may also gain importance as a center of joint military activity. The Philippines reportedly plans to build a port at the Ulugan Bay military base on the west side of Palawan in order to accommodate large naval ships.⁵⁶

On April 28, 2014, the United States and the Philippines completed the Enhanced Defense Cooperation Agreement (EDCA) after eight months of negotiations. The 10-year, renewable arrangement is consistent with the Visiting Forces Agreement, which has governed joint military activities since the closure of U.S. bases in the Philippines in the early 1990s. Under the EDCA, U.S. military personnel in the Philippines are to be deployed on a rotational basis. Philippine bases, including U.S.-built facilities and improvements, are to be utilized rent-free by the Americans but owned by the Philippines. The accord allows for the increased presence of U.S. forces, ships, aircraft, and equipment in the Philippines and greater U.S. access to Philippine military bases.⁵⁷ In addition, the EDCA "improves opportunities for bilateral training; supports the long-term modernization of the Armed Forces of the Philippines (AFP) as it works to establish a minimum credible defense; and facilitates humanitarian assistance and disaster relief

⁵³ Jaime Laude, "PH, US Naval Exercises to Include Live Fire Drills," *The Philippine Star*, June 21, 2013.

⁵⁴ "No US Bases Plan in PH," *Manila Standard*, November 12, 2012.

⁵⁵ Richard Javad Heydarian, "Dual Track Trouble in the South China Sea," *Asia Times*, August 21, 2013; Philippines May Shift Warships to Ex-US Naval Base, *Agence France Presse*, July 29, 2013.

⁵⁶ Kevin Kerrigan, "Kyodo: U.S. Marines to Set Up Command Post on Palawan Island Facing South China Sea," *Pacific News Center*, September 5, 2012; "Philippines to Upgrade Navy Base Facing Disputed Waters," *Agence France Presse*, March 7, 2014; Catherine A. Traywick, "Will American Troops Return to Philippines Bases?" *Passport (Foreign Policy)*, January 30, 2014.

⁵⁷ <http://www.gov.ph/2014/04/29/document-enhanced-defense-cooperation-agreement/>

in the Philippines and the region.”⁵⁸ The number of U.S. troops, costs, and location of military facilities that are to be upgraded for joint use are yet to be determined.

Maritime Disputes

The Philippines, like several other Asian nations, has long-standing maritime territorial disputes with China. These tensions raise security concerns for the United States, given the strategic and economic importance of the South China Sea—through which around half the world’s trade passes—and the potential that increasingly frequent maritime incidents could escalate into conflict. A more recent driver of the disputes has been competition over resources, including fish and other maritime resources and potential oil and gas reserves.⁵⁹

The South China Sea (referred to by Filipinos as the West Philippine Sea) is ringed by China and Taiwan to the north, Vietnam to the west, Malaysia, Brunei, and Indonesia to the south, and the Philippines to the east. The People’s Republic of China and the Republic of China (Taiwan) have demarked extensive but vaguely defined maritime claims, citing historical maps that include a dashed line covering around 80% of the South China Sea. This area includes hundreds of small land features, including the Spratly Islands chain and Scarborough Shoal (*Panatag*). China, Taiwan, and Vietnam all assert possession over the entire Spratly Islands group, while the Philippines, Malaysia, and Brunei each claim some land features. China, Vietnam, the Philippines, and Malaysia each occupy several to a dozen islands or geographical features (islands, shoals, coral outcrops, and sand bars). Some of the contested region contains oil and natural gas reserves as well as marine resources that lie within the 200 nautical mile Exclusive Economic Zone (EEZ) to which the Philippines is entitled under the U.N. Convention on the Law of the Sea (UNCLOS). (See **Figure 2**.)

Bilateral tensions flared in the mid-1990s when China seized a small atoll in the Spratly Islands group previously occupied by the Philippines, known as Mischief Reef (*Panganiban*). Since 2011, tensions between Manila and Beijing have reached particularly high levels as the two nations have had several clashes, including one in April 2012 over Scarborough Shoal, a set of islets approximately 12 miles west of the Philippine island of Luzon. Following the Philippine boarding of a Chinese vessel that was engaged in illegal fishing in the shoal, Philippine and Chinese ships engaged in a protracted standoff. After weeks of negotiations aimed at de-escalating the situation, and despite a reported verbal agreement that all vessels would leave the area, Philippine vessels left the shoal but Chinese ships returned and proceeded to cordon off parts of the atoll, resulting in effective Chinese control of the islets.

Sino-Philippine maritime tensions have continued since that incident. Since February 2013, China reportedly has sent naval vessels to the Second Thomas Shoal (*Ayungin*), in the Spratly Islands group, in an apparent attempt to isolate and bring about an end to the Philippines presence there. Since 1999, the AFP has stationed several troops on the *BRP Sierra Madre*, a U.S. World War II-era naval vessel which the Philippines acquired in 1976 and intentionally ran aground in the shoal in order to maintain its claim to the area. In March 2014, two Chinese coastguard ships reportedly

⁵⁸ The White House, “Fact Sheet: United States-Philippines Bilateral Relations,” April 28, 2014.

⁵⁹ For further information, see CRS Report R42784, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*; and CRS Report R42930, *Maritime Territorial Disputes in East Asia: Issues for Congress*.

blocked two Philippine supply ships from reaching the *Sierra Madre*, claiming that they were carrying construction materials.

Figure 2. Contested Boundaries in the South China Sea



Source: UNCLOS and CIA

Dispute Resolution

The Philippine government argues that under UNCLOS, the Philippines has special rights over the exploration and use of natural resources within its EEZ. In 2012, Manila proposed that the Philippines and China jointly take their disputes to international arbitration, but Beijing refused to participate. In January 2013, the Philippines formally requested that an Arbitral Tribunal under UNCLOS rule on whether China's claims and its actions comply with the Law of the Sea.⁶⁰ Beijing argues that the Tribunal has no legal standing to make a ruling, and contends that China has historic rights to the disputed territories, pointing to conventions that existed prior to 18th century international law and to the Law of the Sea.⁶¹ China has offered to pursue joint economic activities with other claimants in contested areas and to discuss disputes bilaterally, but has resisted multilateral negotiations and vowed that it will make no compromises or concessions on its territorial claims.⁶²

⁶⁰ The International Tribunal under the Law of the Sea (ITLOS) has an arbitration process in which a five-member Arbitral Tribunal is formed, considering input from all disputing parties, to arbitrate a dispute. The Philippine Department of Foreign Affairs statement on its action is here: <http://www.dfa.gov.ph/index.php/newsroom/dfa-releases/7300-statement-by-secretary-of-foreign-affairs-albert-del-rosario-on-the-unclos-arbitral-proceedings-against-china-to-achieve-a-peaceful-and-durable-solution-to-the-dispute-in-the-wps>.

⁶¹ Li Jinming, "Time to Review Law of the Sea," *China Daily*, August 30, 2011.

⁶² Gopal Ratnam and Neil Western, "Hagel to Meet Xi as China Vows No Compromising on Sea Disputes," *Bloomberg* (continued...)

The Philippine complaint calls for a ruling on whether the “nine-dash line,” by which China has made vaguely defined territorial claims in the South China Sea, has any basis in international law. It also seeks a ruling on the extent and limits of any potential Chinese maritime authority over the waters surrounding uninhabitable rocks that China occupies in the South China Sea. Despite Beijing’s objections, a Law of the Sea tribunal decided to take the case and the formal Philippine argument was filed with the court on March 30, 2014.

The U.S. government does not take a position on the territorial disputes between the Philippines and China, but supports a peaceful resolution that is based upon international law and includes multilateral processes. At the conclusion of the Bilateral Strategic Dialogue held in March 2014, the United States and the Philippines issued a joint statement expressing “concern over recent developments in the South China Sea.” The statement conveyed support for the use of arbitration and emphasized that maritime claims must be derived from land features in accordance with UNCLOS.⁶³

In February 2014, in testimony before Congress, Assistant Secretary of State for East Asia Daniel Russel criticized “an incremental effort by China to assert control over the area contained in the so-called ‘nine-dash line’” and called on Beijing to “clarify and adjust its claim” to bring it in line with international law.⁶⁴ During a February 2014 trip to Asia with stopovers in Seoul, Beijing, and Jakarta, Secretary of State John Kerry reportedly spoke in favor of international legal principles, non-confrontational behavior, and a binding, regional code of conduct as means of avoiding conflict in the South China Sea. He reportedly also expressed objections to China’s unilateral announcement of an East China Sea Air Defense Identification Zone (ADIZ) and the possibility of another such zone over the South China Sea, stating that they could threaten regional stability.⁶⁵

On July 29, 2013, the U.S. Senate unanimously agreed to S.Res. 167 (“Reaffirming the strong support of the United States for the peaceful resolution of territorial, sovereignty, and jurisdictional disputes in the Asia-Pacific maritime domains.”). The resolution notes that the Philippine government “states that it has exhausted almost all political and diplomatic avenues for a peaceful negotiated settlement of its maritime dispute with China....” S.Res. 167 condemns the use of coercion and urges all parties to the disputes to exercise self-restraint; supports a South China Sea code of conduct, collaborative diplomatic processes, and adherence to international law, including the use of international arbitration; and encourages the strengthening of U.S. partnerships and military engagement in the region. On April 7, 2014, Senator Robert Menendez introduced S.Res. 412 (“Reaffirming the strong support of the United States Government for freedom of navigation and other internationally lawful uses of sea and airspace in the Asia-Pacific region, and for the peaceful diplomatic resolution of outstanding territorial and maritime claims and disputes.”). The resolution also supports the Philippines’ right to seek international arbitration in its dispute.

(...continued)

News, April 9, 2014.

⁶³ “Fourth Philippines-United States Bilateral Strategic Dialogue,” Office of the Spokesperson, Department of State, March 7, 2014.

⁶⁴ “Maritime Disputes in East Asia,” Testimony of Daniel Russell, Assistant Secretary of State, before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, February 5, 2014.

⁶⁵ “Kerry Warns China against New Air Defence Zone,” *Agence France Presse*, February 15, 2014.

Some analysts are concerned that should the tribunal rule partially or wholly in the Philippines' favor, China may maintain its objection that the body does not have legal standing to rule in the case, and could opt not to abide by the tribunal's findings. Such an outcome, they argue, would be detrimental to both the opportunity to make any progress in the territorial disputes, and also to the international standards of maritime law.⁶⁶ Other analysts argue that the Philippines' court filing strengthens the use of UNCLOS and international law as a means of peacefully resolving maritime territorial disputes through internationally recognized legal bodies.⁶⁷

Because the United States is not a party to UNCLOS, it has no formal role in the case, but U.S. officials have supported the Philippines' right to use available international arbitration mechanisms, and argued that all parties should abide by the rulings of appropriate international legal institutions.⁶⁸

Internal Security Threats

Counterterrorism efforts have significantly reduced the strength of Islamist terrorist groups and networks in the Philippines, and the prospect of a political settlement between Manila and the Muslim separatist movement in the south has brought hope of greatly reduced violence in that region. Nonetheless, many of the historical, political, and economic grievances that have contributed to the decades-old separatist and communist insurgencies remain. Islamist and Communist groups continue to carry out sporadic armed attacks and small-scale bombings.

The Abu Sayyaf Group

The Abu Sayyaf Group, formed in part by radical members of the Moro National Liberation Front (MNLF), has carried out hostage-takings for ransom, killings, and bombings since the early 1990s. The ASG, operating mostly in the Sulu island chain, once provided sanctuary to members of Jemaah Islamiyah (JI), the Indonesia-based, regional terrorist organization, and has had tenuous or sporadic ties with Al Qaeda, which have weakened in recent years.⁶⁹ At its peak in the mid-2000s, the ASG posed a significant terrorist threat and established ties with JI, factions of the MILF, and other groups. The February 2004 bombing of a ferry in Manila Bay, which killed over 100 people, was found to be the work of Abu Sayyaf and the Rajah Solaiman Movement (RSM) consisting of Filipino Muslim converts from the Manila area.⁷⁰ In February 2005, the ASG and RSM carried out simultaneous bombings in three cities, which killed 16 people, while the Philippine government uncovered plots to carry out additional attacks in Manila, including one

⁶⁶ Sourabh Gupta, *The Whole Nine Dashes and Why the Philippines' Arbitration Case Against China is a Bad Idea*, East Asia Forum, July 28, 2013.

⁶⁷ Peter Dutton, *The Sino-Philippine Maritime Row: International Arbitration and the South China Sea*, Center for a New American Security, March 15, 2013.

⁶⁸ "Maritime Disputes in East Asia," Testimony of Daniel Russell, op. cit.

⁶⁹ The ASG reportedly provided support to Ramzi Yousef, a Pakistani Al Qaeda agent convicted of planning the 1993 bombing of the World Trade Center. In 1994, Yousef rented an apartment in Manila where he made plans and explosives in an attempt to blow up 11 U.S. passenger jets simultaneously over the Pacific Ocean. Preeti Bhattacharji, "Terrorist Havens: Philippines," *Council on Foreign Relations Backgrounder*, June 1, 2009.

⁷⁰ Manny Mogato, "Philippine Rebels Linking up with Foreign Jihadists," *Reuters*, August 21, 2005; Luige A. Del Puerto, "PNP: Alliance of JI, RP Terrorists Strong," *Philippine Daily Inquirer*, November 20, 2005.

targeting the United States Embassy. Philippine-U.S. joint counterterrorism efforts have reduced the membership, potency, and influence of the ASG, while JI has been decimated in Indonesia.

MNLF and MILF

The Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF) were founded as separatist movements with the aim of establishing an independent Islamic state. They represent Bangsamoro (Moro) or Muslim ethnic and religious groups living in the southern Philippines. Their ancestors waged a 10-year war against the U.S. military (the Moro Rebellion of 1903-1913) after the United States imposed direct control and replaced the authority of local sultans. Although Muslims constitute 5% of the total population of the Philippines and about one-third of the population of Mindanao, they form a majority in several provinces on Mindanao island and the Sulu Archipelago. The Moros have accused the central government of long neglecting the Mindanao region economically, encouraging Christian settlement and supporting Christian political allies in order to weaken Muslim influence, and not honoring its agreements with the MNLF and MILF.

An estimated 120,000-150,000 people have been killed in fighting related to the Muslim secessionist insurgencies since the late 1960s. The MNLF signed a peace treaty with Manila in 1996, which created the Autonomous Region of Muslim Mindanao (ARMM), consisting of four provinces with limited autonomy. The MILF, which includes an estimated 11,000 guerilla fighters, was established in 1980 as a more religious and less compromising splinter group of the MNLF.⁷¹ The MILF has sought to officially distance itself from the ASG and engaged in its own peace negotiations with the Philippine government. Some analysts state that some units of the MILF have cooperated with or provided refuge to Abu Sayyaf and Jemaah Islamiyah.⁷²

Peace Negotiations

Since 1997, Manila and the MILF have engaged in on-again, off-again negotiations on a settlement and political arrangement that would provide substantial autonomy to Muslims in Mindanao and put an end to the decades-old military conflict. In October 2012, the Philippine government and the MILF acceded to a Framework Agreement on the *Bangsamoro* (homeland of the Moro people), which would supplant the autonomous region set up with the MNLF in 1996 (ARMM). In 2013, the government and the MILF negotiated the implementation of the agreement, including the transition process, wealth and power sharing, and disarmament. The negotiations resulted in a final peace agreement, the Comprehensive Agreement on Bangsamoro (CAB), signed on March 27, 2014.

Although the CAB has unleashed greater hopes for peace and prosperity in Mindanao and Sulu, some experts warn that constitutional, political, and economic issues remain. Some groups in the region, including the MNLF, the Bangsamoro Freedom Fighters (or BFF, an MILF splinter group), and some Christian leaders, have opposed the settlement and continued to clash with government forces. The MNLF has called for the full implementation of its own agreement rather

⁷¹ Jim Gomez, "Philippine Muslim Rebels Continue Combat Training, Seek Arms Despite Planned Talks," *Associated Press*, August 11, 2010.

⁷² Zachary Abuza, "The Philippines Chips away at the Abu Sayyaf Group's Strength," *CTC Sentinel*, April 2010; Interview with Zachary Abuza, National War College.

than being subsumed under the MILF-negotiated Bangsamoro.⁷³ Furthermore, despite the political agreement, socioeconomic problems that have long contributed to instability in the region may be slow to resolve.⁷⁴

In August 2013, MNLF founder Nur Misuari, who reportedly felt “sidelined” by the Framework Agreement, threatened to declare independence for several regions in western Mindanao and the Sulu Archipelago. In September, Misuari-led insurgents clashed with government troops in Zamboanga city and nearby villages and took nearly 300 people hostage in the process. In subsequent battles which lasted about a month, 107 people reportedly were killed, including 71 Misuari fighters, 7 civilians, and Philippine police personnel.⁷⁵ The BIFF carried out sporadic attacks on civilian and military targets in the summer of 2013. Government troops responded with force, reportedly killing 80 BFF fighters in June and July.⁷⁶

Communist Party of the Philippines

The Communist Party of the Philippines (CPP), which the government long has viewed as its principal security threat, has waged an insurgency since the late 1960s. It is widely reported that over 40,000 people have died in fighting related to the insurgency since 1969. The CPP’s military arm, the New People’s Army (NPA), reached over 25,000 fighters in the early 1980s, but declined after President Ferdinand Marcos fell from power and democracy was restored in 1986. It now has an estimated 4,000-5,000 fighters and remains active in the central Philippines. However, the CPP and NPA no longer have an organized control structure or strict ideological bent, according to experts.⁷⁷ The U.S. government placed the CPP and the NPA on its list of terrorist organizations in 2002, but does not provide direct military support to the Philippines military in its war against the NPA. Under President Aquino, peace negotiations between the government and the CPP commenced in February 2011 in Norway, the first since 2004, but then stalled. The Aquino Administration reportedly remains open to a political settlement while the AFP continues to weaken the NPA militarily. The NPA continues to carry out small scale but frequent attacks largely on police and army units as well as economic targets.

Filipino Veterans

Roughly 250,000 Filipino soldiers and guerrilla fighters served under or alongside United States Armed Forces during World War II. According to many observers, the Roosevelt Administration promised them citizenship and veterans’ benefits. Since 1946, Congress has passed legislation providing health and other benefits to Filipino World War II veterans while denying many of them “active military” status which would entitle them to full U.S. veterans’ benefits. Furthermore, the

⁷³ The MILF was formed by more religious and less compromising members of the MNLF who opposed the 1996 peace agreement.

⁷⁴ Mark Munson, “Has Operation Enduring Freedom-Philippines Been a Success?” *Small Wars Journal*, April 5, 2013.

⁷⁵ “8 Killed as Muslim Rebels Clash with Troops, Take Scores of Hostages in Southern Philippines,” *Washington Post*, September 9, 2013; Joseph Franco, “The Zamboanga Standoff: Role of the Nur Misuari Group,” *RSIS Commentary 168/2013*, September 17, 2013.

⁷⁶ Alexis Romero, “86 Dead in Army-BIFF Clashes in Maguindanao,” *Philstar.com*, July 8, 2013.

⁷⁷ Cris Larano and Chester Yung, “Maoist Rebels in Philippines Complicate Aid Effort,” *Wall Street Journal*, November 13, 2013; “NPA Still the Most Potent Threat – AFP,” *Philippine Daily Inquirer*, January 16, 2014.

citizenship granted to Filipino soldiers was not extended to their families, thereby causing many families to be separated. There are approximately 6,000 surviving Filipino veterans. In 2009, the Obama Administration established a \$198 million Filipino Veterans Equity Compensation (FVEC) fund, which provided one-time payments of \$15,000 to eligible Filipino veterans living in the United States and \$9,000 to those living in the Philippines. However, many surviving veterans have complained that existing programs did not provide adequate coverage or that their claims for (FVEC) benefits were denied.

Members of the 113th Congress have proposed a number of bills in support of Filipino veterans (see **textbox**, below). The purposes of these bills include facilitating the determination of eligibility of Filipino veterans or acknowledging their service as “active military” for receiving full veterans’ benefits; allowing veterans who are lawful U.S. residents but who are living in the Philippines to receive benefits;⁷⁸ and exempting children of naturalized Filipino World War II veterans from worldwide or numerical immigrant limitations under the Immigration Act of 1990.⁷⁹

⁷⁸ As long as they are residing outside the United States for any period of less than one year.

⁷⁹ “U.S. Vows to Help Philippine Veteran Payments,” *Agence France Presse*, October 18, 2012; Andrei Medina, “Hawaii Lawmakers Push for Bill Reuniting 7,000 Pinoy War Veterans with Families,” *GMA News*, March 12, 2013; CRS Report RL33876, *Overview of Filipino Veterans’ Benefits*.

Selected Legislation Related to the Philippines in the 113th Congress

H.R. 110 (Hanabusa, introduced January 3, 2013). To require the Secretary of the Army to determine the validity of the claims of certain Filipinos that they performed military service on behalf of the United States during World War II.

H.R. 111 (Hanabusa, introduced January 3, 2013). Filipino Veterans of World War II Congressional Gold Medal Act.

H.R. 481 (Heck, introduced February 4, 2013). To direct the Secretary of Veterans Affairs to accept certain documents as proof of service in determining the eligibility of an individual to receive amounts from the Filipino Veterans Equity Compensation Fund, and for other purposes.

H.R. 717 (Honda, introduced February 14, 2013). Reuniting Families Act.

H.R. 772 (Faleomavaega, introduced February 15, 2013). To promote peaceful and collaborative resolution of the South China Sea dispute.

H.R. 966 (Hanabusa, introduced March 5, 2013). Filipino Veterans Family Reunification Act of 2013.

H.R. 1452 (Speier, introduced April 9, 2013). Filipino Veterans Fairness Act of 2013.

H.R. 1855 (Hanabusa, introduced May 7, 2013). To require the Secretary of Defense to establish a process to determine whether individuals claiming certain service in the Philippines during World War II are eligible for certain benefits despite not being on the Missouri List, and for other purposes.

H.R. 3207 (Gutierrez, introduced September 27, 2013). Benefits Fairness for Filipino Veterans Act of 2013.

H.R. 3602 (Green, introduced November 21, 2013). Filipino Temporary Protected Status Act of 2013.

H.R. 3771 (Swalwell, introduced December 12, 2013). Philippines Charitable Giving Assistance Act. *Passed and signed into law as P.L. 113-92 (3/25/14).*

H.Res. 404 (Royce, introduced November 12, 2013). Expressing condolences and support for assistance to the victims of Typhoon Haiyan which made landfall in the Republic of the Philippines on November 8, 2013.

H.Res. 408 (Speier, introduced November 13, 2013). Expressing sincere condolences and support for assistance to the people of the Philippines and all those affected by the tragic Super Typhoon Yolanda (Haiyan) of November 8, 2013.

S. 461 (Hirono, introduced March 5, 2013). Filipino Veterans Family Reunification Act of 2013.

S. 690 (Schatz, introduced April 9, 2013). Filipino Veterans Fairness Act of 2013.

S. 868 (Heller, introduced May 7, 2013). Filipino Veterans Promise Act.

S. 1559 (Durbin, introduced September 27, 2013). Benefits Fairness for Filipino Veterans Act of 2013.

S. 1821 (Hirono, introduced December 12, 2013). Philippines Charitable Giving Assistance Act. *Passed in the Senate by Unanimous Consent (3/6/2014).*

S.Res. 292 (Schatz, introduced November 13, 2013). A resolution expressing support for the victims of the typhoon in the Philippines and the surrounding region. *Resolution agreed to in the Senate by Unanimous Consent (1/14/13).*

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