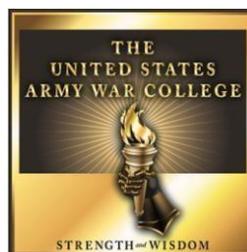


U.S. Policy Considerations for Improving Relations with the Philippines

by

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U.S. Policy Considerations for Improving Relations with the Philippines

I am no American puppet. I am the president of a sovereign country, and I am not answerable to anyone except the Filipino people.

—Philippine President Rodrigo Duterte¹

Recent actions and comments made by the Philippine president, Rodrigo Duterte, have led many to believe that the longtime ally could be shifting its allegiances away from the United States and more towards China. In October 2016, Mr. Duterte made a four-day visit to China where he negotiated \$24.5 billion in trade deals that included investments in areas such as manufacturing, transportation, infrastructure, telecommunications, and tourism.² The situation is somewhat unexpected, especially in light of the tense relations between the Philippines and China over the past several years. Tensions between the two countries stem from a dispute over the territorial rights of a small outcrop of land in the South China Sea known as the Scarborough Shoal.

In light of the increased tensions between the Philippines and its increasingly powerful neighbor, few would have predicted a radical shift from a long-time relationship between the United States and the Philippines. The two countries enjoy a relatively stable relationship based on military and economic ties. U.S. interactions with the Philippines are but a part of its interests in the South China Sea and Southeast Asia, but the recent actions of Mr. Duterte raise some important questions. What are the United States' interests in the South China Sea and with respect to the Philippines? Do Mr. Duterte's actions signal an official, long-term shift in the relationship between the United States and the Philippines? Does the United States need a relationship with the Philippines to protect its interests? If so, what are the policy options for the United States to improve relations with the Philippines?

This paper will seek to determine suitable, feasible and acceptable policy options for the United States to pursue by examining all variables that may have an impact on its relationship with the Philippines. First, it will look at the environment that is the context of the U.S.-Philippine relationship, the South China Sea. What are the United States' interests in the region? Who are the relevant actors and how do they interact? Do these interactions affect the relationship? Next, it will look at the state-to-state relationship between the United States and the Philippines. What is their history together and what is its influence on the relationship today and going forward? Finally, the paper will explore potential options the United States can pursue for improving its relationship with the Philippines.

Background

The South China Sea is a strategic body of water that connects the Western Pacific and Indian Oceans. Roughly half of the world's trade flows through it. It is the location of significant proven reserves of oil and natural gas, and a vital source of fish and other wildlife. It is also the stage for ongoing disputes among the nations it borders stemming from territorial claims that are based on everything from commonly accepted international law to historical claims that span thousands of years. The end result, is a rich and dynamic region that is the home of vast opportunities for prosperity and conflict.³

In 1995, China and the Philippines clashed over territorial rights in the South China Sea over an area known as Mischief Reef, which was inside a Philippine Exclusive Economic Zone. The Philippines discovered Chinese structures on the reef which led to heightened tensions between the two that lasted throughout most of the 1990s.⁴

Later, in April 2012, the Chinese Navy removed all Philippine vessels from the Scarborough Shoal which the Philippines claimed as part of its traditional fishing waters.⁵ In the months that followed, both sides made efforts to deny each other access to the shoal and tensions between the two states continued to grow. The dispute reached a peak on 22 January 2013 when the Philippines initiated arbitration proceedings in the Permanent Court of Arbitration against China based on the United Nations Convention on the Law of the Sea.⁶ China responded with a refusal to accept or participate in the arbitration due to its belief that it “has indisputable sovereignty over the South China Sea Islands (the Dongsha Islands, the Xisha Islands, the Zhongsha Islands and the Nansha Islands) and the adjacent waters.”⁷ China also resorted to coercive measures against the Philippines by limiting Chinese business investments and tourist travel to the Philippines.⁸ On 12 July 2016, the international court ruled in favor of the Philippines and also ruled that China did not have historical rights to the South China Sea.⁹ China responded with a refusal to accept the results.

However, much to the surprise of most the world, Mr. Duterte proclaimed to the Chinese during his visit, "I announce my separation from the United States. Both in military, not maybe social, but economics also. America has lost."¹⁰ He also expressed a desire to align with China and others stating, "I've realigned myself in your ideological flow and maybe I will also go to Russia to talk to [President Vladimir] Putin and tell him that there are three of us against the world - China, Philippines, and Russia. It's the only way."¹¹ Mr. Duterte is known for making brash and off the cuff statements that many find difficult to accept at face value. However, given statements he made before the trip

where Mr. Duterte indicated he saw the need to soften the Philippine stance against China, one would be foolish to dismiss his message out of hand.

To complicate matters further, Mr. Duterte later walked back his statements. Upon his return, Mr. Duterte's office clarified his comments saying he was not advocating severing ties with the United States but was making "an assertion that we are an independent and sovereign nation, now finding common ground with friendly neighbors with shared aspirations in the spirit of mutual respect, support, and cooperation."¹² The U.S. embassy in Manila expressed its concerns saying, "We've seen a lot of this sort of troubling rhetoric recently, which is inexplicably at odds with the warm relationship that exists between the Filipino and American people and the record of important cooperation between our two governments."¹³ As the U.S. embassy stated, Mr. Duterte's recent comments are not in keeping with the otherwise friendly relationship the two countries enjoyed over the last few decades. The United States will need to assess Mr. Duterte's true intentions and determine what action, if any, it will need to take to maintain a viable relationship with the Philippines going forward.

Analysis

When attempting to identify policy options, a state has to deal with a particular scenario it helps to look at the relevant environment and all the factors that contribute to the issue and where the state can have influence. This paper will first examine factors that influence the U.S.-Philippine relationship in the context of the system level, the system being the South China Sea and the players who live and operate in it. Next, it will look at the state level relationships, in particular, the United States and China relationship, and then the relationship between the United States and the Philippines.

United States Interests in the South China Sea

Any suitable policy option the United States pursues with regards to the Philippines must align with the United States' national interests as they pertain to the region. In testimony before the Senate Foreign Relations Committee on 13 May 2015, Mr. Daniel Russel (Assistant Secretary of State, Bureau of East Asian and Pacific Affairs) discussed U.S. maritime issues in East Asia. In his testimony, he stated United States interests in the South China Sea are, "international law, freedom of navigation and overflight and other internationally lawful uses of the seas related to those freedoms, unimpeded lawful commerce, and the peaceful resolution of disputes."¹⁴ Additionally, the 2015 United States National Security Strategy states, "The United States has an enduring interest in freedom of navigation and overflight as well as the safety and sustainability of the air and maritime environments. We will therefore maintain the capability to ensure the free flow of commerce, to respond quickly to those in need, and to deter those who might contemplate aggression. We insist on safe and responsible behaviors in the sky and at sea. We reject illegal and aggressive claims to airspace and in the maritime domain..."¹⁵ A quick examination of United States' activities in and positions on the region, and factors that affect it demonstrate the United States' commitment to these interests.

On international law and peaceful resolution of disputes, the United States has historically been a strong advocate for the use of international institutions for establishing friendly relations and for settling disputes in the area when they arise. Despite on-going debate in the U.S. Senate about whether it should accede to the United Nations Convention on the Law of the Sea, the United States has voiced its support for the convention as a means of peaceful conflict resolution. During his

testimony, Assistant Secretary Russel stated, “we defend the use of legal dispute settlement mechanisms that may be available to countries – including arbitration under the Law of the Sea Convention – when diplomatic negotiations have not yielded result.”¹⁶ The United States State Department also formally supported the Permanent Court of Arbitration ruling in favor of the Philippines saying the decision, “is an important contribution to the shared goal of a peaceful resolution to disputes in the South China Sea.”¹⁷ The United States also supports organizations such as the Association of Southeast Asian Nations (ASEAN). Along with promoting economic growth, one of ASEAN’s stated purposes is “To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter.”¹⁸ Support for these and other organizations demonstrates the United States’ interests in regional peace and an intention to maintain a presence there as well.

The volume of trade that transits through the South China Sea, to include that of the United States, serves to explain its interests in freedom of navigation and unimpeded lawful commerce in the region. In a 2013 report, the United States Energy Information Administration (EIA) estimated that more than half of the world’s cargo, a third of its crude oil, and over half of its liquid natural gas passes through the South China Sea, declaring it, “one of the most important trade routes in the world.”¹⁹ The trade that transits the South China Sea represents approximately \$5.3 billion in trade of which the United States accounts for \$1.2 billion.²⁰ The same United States EIA report also mentions vast amounts of valuable resources in the South China Sea, in particular, estimated reserves of 11 billion barrels of oil and 190 trillion cubic feet of natural gas.²¹

Any disruption to the flow of goods through the region or the freedom to develop its untapped resources could have a significant economic impact on the United States, its allies in the region and around the world.

United States efforts to preserve freedom of navigation through the area, especially in response to Chinese efforts to claim significant portions of the region, demonstrate its commitment to ensuring these interests are secure. As recently as the summer of 2016, the United States Navy conducted freedom of navigation operations in the South China Sea in response to excessive Chinese territorial claims with the intent to continue as necessary. Admiral Harry Harris, the commander of United States Pacific Command, which has responsibility for the region, stated before Congress that, “We must continue to operate in the South China Sea to demonstrate that water space and the air above it is international.”²² Admiral Harris’ comments, the operations of the United States Navy and other U.S. efforts in the region are in keeping with the objectives of the United States in the region as stated by Secretary of State John Kerry. In an August 2013 press statement, he said, “As a Pacific nation that takes our Pacific partnership seriously, the United States will continue to build on our active and enduring presence.”²³

China’s Interests

China is by far the largest state in the South China Sea region. Land mass aside, China’s ever increasing economy also makes it one of the most powerful states as well. As such, its interests and actions influence the stability of the region and in turn impact, either positively or negatively, the interests of the United States. Therefore, in looking at the relationship between the United States and the Philippines, it is important to take these impacts into account. This section will review China’s interests in the South China

Sea, examine how its pursuit of those interests has affected its neighbors, and also look at how these interactions pertain to United States interests in the region.

In a 2016 annual report to the U.S. Congress, the U.S. Department of Defense assessed China's interests to be: "perpetuate Chinese Communist Party rule; maintain domestic stability; sustain economic growth and development; defend national sovereignty and territorial integrity; secure China's status as a great power and, ultimately, reacquiring regional preeminence; and safeguard China's interests abroad."²⁴ While the report did not assert any desire on the part of China to expand its current territory, pertinent to this discussion is China's interest in defense of its territorial integrity.

In the South China Sea, China bases many of its territorial claims in the region on a concept known as the "Nine-Dash Line." The nine-dash line originated from a map published by the then Republic of China in 1947, and later adopted by the Chinese Communist Party, where it claimed a vast majority of the South China Sea as sovereign Chinese territory.²⁵ In 2009, as part of its objection to a claim made by Vietnam and Malaysia to parts of the continental shelf in the South China Sea, China issued a map of the nine-dash line to the UN, asking that it circulate the document to all nations. Along with the map, China made the following statement claiming it had, "indisputable sovereignty over the islands in the South China Sea and the adjacent waters, and enjoys sovereign rights and jurisdiction over the relevant waters as well as the seabed and subsoil thereof."²⁶ Inside the nine-dash line, China has made efforts to secure its claims to included land reclamation and military buildup of these areas. As of June 2015, China had reclaimed 2900 acres of land in the South China Sea, far outpacing

any of its neighbors.²⁷ China's efforts have gained international attention and skepticism and raise concerns about any intentions China may have to militarize the land it reclaimed. To do so would have significant impacts on the peace and stability in the region. No nation in the area recognizes China's nine-dash line claims. In fact, the 12 July 2016 ruling by the Permanent Court on Arbitrations ruling, the court ruled that "there was no legal basis for China to claim historic rights to resources within the sea areas falling within the 'nine-dash line.'"²⁸

In addition to China's historical claims to the region, the significance it places on those claims is important to the discussion. In 2010, a senior Ministry of Defense official stated, "China has indisputable sovereignty of the South Sea, and China has sufficient historical and legal backing."²⁹ Many believe this raised the South China Sea to the level of core interest on par with Taiwan and Tibet. China's claims have ultimately led to conflicts with many of its neighbors which will be discussed next.

China's Relations in the South China Sea

Due to the rapid growth of its economy and military strength, especially when compared to its neighbors in and around the South China Sea, China is approaching hegemonic status in the region. From land reclamation efforts to coercive economic tactics, China's efforts to pursue and protect its interests in the South China Sea routinely put it in conflict with its neighbors who in turn must decide what strategy they will pursue in how they engage China and manage the threat. A review of which strategy the Philippines and its neighbors are pursuing with respect to China will provide insight into how the United States should approach its relationship with the Philippines going forward.

In situations like the South China Sea, where one state is apparently growing stronger than its neighbors, it is not unusual for other states to choose between a strategy of balancing or bandwagoning as a means of relating to the growing power. In a journal article in *International Security*, Stephan Walt examined the two strategies. He proposed the primary difference between the two is whether a weaker state chooses to ally against (balance) or with (bandwagon) the stronger state.³⁰ Additionally, he says that both strategies serve as a response to a threat and that the level of the threat posed by a nation is based on 1) its aggregate power; 2) its proximity; 3) its offensive capability, and 4) its offensive intentions.³¹

In the case of balancing, a state will join alliances with other states of similar or weaker power to oppose a larger, more powerful state. One of the reasons Walt offers for why a state would seek to balance instead of bandwagon is that a weaker state runs the risk of losing their sovereignty if it were to ally with the stronger one. To reduce the risk to its sovereignty, he says, “the safer strategy is to join with those who cannot readily dominate their allies, in order to avoid being dominated by those who can.”³²

States can also engage in balancing to varying degrees. In his article on balancing and bandwagoning in the South China Sea, political scientist Denny Roy says states can engage in low or high levels of balancing. In low-level balancing, states seek to maintain a relationship with a potentially threatening state, whereas in high-level balancing the relationship tends to be adversarial in nature.³³ ASEAN is a good example of how low-level balancing does not preclude states from having a relationship. In addition to its role as a mechanism for peace and stability in the region, the organization also promotes economic growth among its member states which includes trade with

China. In November 2002, ASEAN and China signed an agreement that established a Free Trade Area that fostered mutually beneficial economic cooperation.³⁴ Roy also believes that many states in the South China Sea primarily seek to balance against China by allying with the United States to some degree.³⁵

An example of an individual state exhibiting low-level balancing efforts against China is Vietnam's relationship with the United States. Despite poor relations stemming from the Vietnam War, the two countries leveraged over twenty years of improving diplomatic relations and established a Comprehensive Partnership in 2013 that is intended to strengthen their economic and military ties. Current trade between the two partners tops \$45 billion, with the United States being the top importer of Vietnamese exports. The two countries' militaries also participate in joint humanitarian training with the United States providing over \$45 million in equipment and Foreign Military Financing.³⁶ In this case, one can argue that Vietnam sees the United States, whether from its stated intentions or relative proximity, as less of a threat than China and therefore seeks to balance China by allying with the United States. Other countries who share similar agreements with the United States include Malaysia, Indonesia, Thailand, and Singapore to name a few.

In addition to alliances and agreements directly with the United States as a means to balance against threats, states within the region, to include the Philippines, collaborate via organizations such as ASEAN. The association provides a framework for establishing conditions conducive to peaceful growth and the continued sovereignty of all member states through their collective strength. Two of the stated purposes of the organization are: "To accelerate the economic growth, social progress and cultural

development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of Southeast Asian Nations,” and “ To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter.”³⁷

While there is no mention of an alliance based on military means, the organization serves as an example of how smaller states can ally with each other to balance against powerful states through their combined strength. An example of how this worked successfully was the 1995 Mischief Reef Incident where China was found to be constructing buildings on Mischief Reef which the Philippines claimed ownership. In response to the incident, ASEAN supported the Philippines claim, and ultimately China stated it would defer to UNCLOS for any future territorial claims.³⁸ The effectiveness of organizations such as these is attractive to the United States as evidenced by the fact that it has a dedicated diplomatic mission and resident ambassador to the organization since 2010.³⁹ Strong relationships with organizations such as ASEAN serve as a means for the United States to maintain a presence in the region so it can oversee its interests and also mitigate any deterioration of its relations with the Philippines.

In the case of bandwagoning, a state believes it stands to gain more by allying with the stronger state. Roy says one reason states bandwagon is to seek some measure of profit, usually economical, and he believes this is the case to some degree with most states in the South China Sea.⁴⁰ This would imply that states can pursue some aspects of both strategies. One could argue that we see this behavior from the Philippines. While it currently relies on partnerships with the United States to bolster its

security and economic well-being, the concept of bandwagoning might help explain why Duterte is seeking financially beneficial deals with the Chinese, in spite of their recent territorial disputes. Other states in the region have taken similar actions. Shortly after President Duterte's visit to China, Malaysia's Prime Minister, Najib Razak, visited China and also returned with deals worth approximately \$34 billion.⁴¹

Perhaps one of the clearest cases of bandwagoning can be seen in the relations between Cambodia and China. Before the late 1990's, Cambodia's government did not look favorably upon China due to its support for Cambodian opposition parties. In 1988, Cambodia's current Foreign Minister, Hun Sen, even referred to China as "the root of everything that is evil."⁴² However, relations between the two states improved as Cambodia began to accept Chinese financial support which has amounted to upwards of \$10 billion in the past two decades.⁴³ Cambodia's support of China was on full display when it broke ranks with fellow ASEAN members in 2012, and again in 2016, by refusing to support the inclusion of references to any South China Sea territorial disputes involving China in the groups' closing statements.⁴⁴ The United States will need to decide whether these bandwagoning efforts signal move away from it or merely attempts by states in the region to leverage all possible relationships for maximum gain. The United States will also need to consider whether the same thing is occurring in Duterte's recent engagements with China.

Being cognizant of what strategies are in play will assist the United States in deciding how to engage states in the region, in particular when it addresses President Duterte's recent movements towards increased relations with China.

United States-China Relations

According to the United States Department of State, the United States “welcomes a strong, peaceful, and prosperous China playing a greater role in world affairs and seeks to advance practical cooperation with China.”⁴⁵ That said, the relationship between the two is not without its points of contention, and neither side agrees on who is responsible. From the U.S. perspective, some Chinese actions in the South China Sea are provocative at best, bordering on aggressive. China, however, views the U.S. presence in the region as destabilizing and disruptive to China’s perceived legitimate claims.

One of the greatest points of contention between the two countries is U.S. Naval operations in the South China Sea. As mentioned earlier, many Chinese territorial claims in the South China Sea run counter to that of its neighbors. While the United States, as a matter of policy, remains neutral on territorial disputes in the South China Sea it does advocate peaceful resolution through international law and actively supports those laws through freedom of navigation operations. The United States Department of Defense’s (DoD) 2015 Asia-Pacific Maritime Security Strategy lists three DoD maritime objectives: “to safeguard the freedom of the seas; deter conflict and coercion; and promote adherence to international law and standards.”⁴⁶ In support of those objectives, the commander of United States Pacific Command (PACOM), Admiral Harry Harris testified to Congress that PACOM’s forces would, “fly, sail, and operate wherever international law allows, while continuing to strengthen the relationships and rule of law that enabled the peaceful rise of every nation in the region.”⁴⁷ China condemns the U.S. freedom of navigation operations as “illegal and provocative.”⁴⁸

While the sometimes-tense relations between the two countries is not likely to lead to direct conflict in the near future, how the United States proceeds in its dealings with the Philippines will send a message to China about its overall intentions and commitment to the region. The challenge will be to ensure China gets the right message.

United States-Philippine Relations

Before President Duterte's visit to China, the United States and the Philippines enjoyed a relatively healthy relationship with its share of ups and downs. That said, the apparent and dramatic Philippine shift towards China came as a surprise to most of the world, not the least of which the United States.

The U.S.-Philippine relationship began during the Spanish-American War when the United States liberated the Philippines, and it became a U.S. colony. In 1946, the United States recognized the Philippines as an independent state and established formal diplomatic relations. In 1951, the two countries signed the Mutual Defense Treaty (MDT) which served to provide for the two nations' mutual defense and allowed the United States to maintain Clark Air Base and Subic Bay naval base. The MDT served as the basis for a strong military-to-military relationship between the two states. However, lingering resentment over U.S. colonial rule led the Philippines to not renew U.S. basing rights in 1991. It was not until the 2001 terrorist attacks on the United States, when the U.S. military sent forces to the Philippines to assist it in resisting Muslim insurgents, that U.S.-Philippine military cooperation began to grow again. Later, in 2012, the Philippines reopened access to bases to the United States out of growing concern about Chinese intentions in the South China Sea.⁴⁹

Despite previous ups and downs, the two countries have strong ties. The two countries cooperate militarily through agreements such as the 1951 MDT, the 1998 Visiting Forces Agreement, and the 2014 Enhanced Defense Cooperation Agreement.⁵⁰ These agreements provide for the defense of the Philippines through training, equipping and other assistance to its armed forces and also provides the United States with a means of maintaining a presence in the region.

Economically, the United States is a major investor in the Philippines. In 2015, the United States was the Philippines number three trading partner, behind Japan and China. In March 2016, the U.S. Treasury reported that trade between the United States and the Philippines was more than \$18 billion, which is a 41% increase since 2009.⁵¹ Of note, the Philippines ran a trade surplus with Japan and the United States and a deficit with China.⁵² The United States also assists the Philippines through bilateral relations such as the Generalized System of Preference and the Trade and Investment Framework Agreement, both of which provide another country with preferential treatment with regards to trade.⁵³ The Philippines is also a large provider to the United States for job outsourcing, especially in the information technology and business process sector. In 2015, the industry generated \$22 billion which equates to 7% of the Philippines gross domestic product. Of that revenue, 70% came from business with the United States.⁵⁴ Additionally, according to a 2010 census, there are more than 3.4 million people in the United States who trace ancestry to the Philippines. In 2009, this group sent an estimated \$10.6 billion back to family members in the Philippines.⁵⁵

From a humanitarian perspective, the United States came to the aid of the Philippines on numerous occasions when natural disasters struck it. As recently as

2013, the United States came to the assistance of the Philippines in the wake of Typhoon Haiyan provide personnel and funding to recover from the storm. Additionally, the U.S. Agency for International Development runs multiple programs in the Philippines that seek to prepare the country for future events.⁵⁶

The strength of U.S.-Philippine relations is also reflected in the opinion of Filipinos towards the United States. In 2015, 92% of Filipinos reported having a favorable opinion of the United States, a trend that goes back as far as 2002.⁵⁷ On the other hand, only 54% had a favorable opinion of China, which is down from 63% in 2002.⁵⁸ Despite strong relations between the two nations and the fact that the United States enjoys a very favorable opinion amongst Filipinos, the U.S.-Philippine relationship is not without its issues. Lingering resentment among Filipinos towards the United States stems from its colonial rule over the Philippines in the early 1900s and its support of Ferdinand Marcos' presidency in the 1980s. Under Marcos' repressive rule, the Philippines shifted from a democracy to martial law and experienced rising levels of poverty and extreme inequality between poor Filipinos and the elites.⁵⁹ Many Filipinos believe U.S. support of President Marcos directly contributed to their problems.

Many believe this lingering resentment to be the fuel behind President Duterte's hostile stance towards the United States.⁶⁰ Since his election, Mr. Duterte has been a vocal critic of the United States, threatening to reduce or even sever ties with the United States. Based on Mr. Duterte's comments and threats to reduce relations with the United States, one could argue that he is exhibiting high-level balancing against the United States. Time will tell whether the election of a new U.S. President will give Mr. Duterte a justification to backpedal from his previous statements against the United

States. Either way, the United States will need to account for these lingering feelings when deciding on how to address its current relations with the Philippines.

United States Options

The political environment in the South China Sea can be very dynamic as evidenced by the impressive rise of China and the various ways its neighbors have responded. Whether it is economic opportunities or the security of its many allies, the peace and stability of the region are of strategic interest to the United States. Within this region, the United States considers the Philippines one of its core alliances.⁶¹ President Duterte's recent moves towards improved relations with China and statements indicating a shift away from the United States serve as an example of the challenges in the region the United States will ultimately need to address. Below is several options the United States might pursue to maintain its relationship with its strategic ally.

Wait and See

In the interest of not making a knee-jerk response to President Duterte's recent actions, the United States could take a wait and see approach. Bearing in mind the sometimes-unpredictable nature of President Duterte, layered on top of the dynamic environment of the South China Sea, a measured approach would allow the United States to account for developments that may be temporary in nature. When President Duterte stated he was breaking away from the United States, it wasn't long before he began to walk back his statements. The United States should not take impulsive statements as official or long-term policy. While President Duterte enjoys strong popular support, not everyone in his government agrees with his actions. Following his trip to China, a spokesperson for the Philippine military stated, "We assure our people and allies that the Philippine-United States defense relations remain rock solid."⁶²

The key to this option is to convince the Philippines that the United States, especially compared to China, is not a threat and does not need to be balanced against. Looking at Walt's threat factors, the United States does have far greater aggregate power and offensive capability compared to the Philippines, but it has not demonstrated any offensive intentions. In contrast, China has greater aggregate power, has offensive capability, has demonstrated its willingness to use that offensive capability and it is in much closer proximity to the Philippines relative to the United States. Finally, with respect to geography and all things being equal, China compared to the United States is in much closer proximity to the Philippines and, in turn, the more immediate threat. Careful U.S. messaging directed at the Philippines highlighting these differences could encourage the Philippines to balance against China by improving relations with the United States.

From a feasibility standpoint, this option would not be difficult to pursue as it would not require much direct action from the United States. The two allies have strong economic and military ties that are not severed, through which the United States can continue to maintain its relationship. The option is suitable as well. Despite President Duterte's assertions that he wants to move away from the United States, he still has indicated that he is not looking for a complete separation. Additionally, there is no guarantee what a China-Philippine relationship will look like in the long term. As mentioned earlier, another advantage working for the United States is the highly favorable opinion Filipinos have of the United States along with the relatively unfavorable opinion they have of China. The United States could leverage this disparity in opinions when engaging with Filipino leadership.

The risk associated with this option comes from the question of its acceptability. Will President Duterte see this as an opportunity to take advantage of high U.S. tolerance for his belligerence? Would the U.S. population at some point tire of supporting a seemingly ungrateful nation that needs the United States more than the United States needs it? If the United States, in the face of Duterte's comments, were to take a hands-off approach it could send mixed signals to all stakeholders. Mr. Duterte could see this as an opportunity to gain advantages with and China while being able to rely on assistance and protection from the United States. In a sense, the Philippines would low-level balance against China which is a perceived threat in close proximity, while stringing the United States along. Duterte's resistance towards the United States could serve to bolster its standing with the Chinese who have their own issues with U.S. presence in the region.

A passive stance from the United States also runs the risk of communicating to other parties that its commitment is wavering. U.S. allies in the region could begin to question U.S. commitment to the area and whether they could depend on the United States, putting United States' interests at further risk. Domestically, U.S. businesses who rely on trade with the Philippines will not welcome the uncertainty. Finally, a perceived lack of U.S. commitment could embolden the Chinese as they look for opportunities to solidify their position in the region.

The Carrot

In the carrot option, the United States would take a more active approach to improving relations with the Philippines by "sweetening" the current ties between the two nations.

From a military perspective, the Philippines continues to rely on the United States to support it with training and equipment. The opportunity exists to strengthen military ties despite President Duterte's recent threats to expel the U.S. military. As recently as September 2016, in response to President Duterte's call for U.S. troops to leave the Philippines, Philippine Defense Secretary Delfin Lorenzana said, "We still need them there because they have the surveillance capability that our armed forces don't have."⁶³ The United States could engage the Philippine Defense Secretary to discuss what the Philippines' enduring military needs are and how the United States can meet them.

The United States is one of the Philippines' most important trade partners. In this regard, the United States should seek to solidify this relationship. The United States could try to stimulate trade with the Philippines by providing U.S. companies with tax breaks when doing business with Philippine companies. The United States could also try to reduce tariffs on Philippine imports. Finally, to counterbalance any potential Chinese influence, the United States could try to improve upon the recent financial deals the Philippines made with China.

Diplomatically, the United States could consider making an exception to its policy of not taking sides in disputes in the South China Sea and openly advocate for the Philippines territorial rights. However, it will do this at the risk of creating further damage to its relations with China.

The key to this approach is to appeal to the interests and values that the United States and the Philippines have in common with the goal of demonstrating U.S. commitment to its longtime ally's sovereignty and security. The ultimate effect should be

to cast the United States in a favorable light, especially when compared to China, and to reinforce the ties between the two nations.

This option is very feasible since the United States has the advantage of already established relationships with the Philippines that it can leverage. Whether through increased military-to-military cooperation opportunities, incentivizing increased U.S. business investment in the Philippines or additional direct U.S. investment in the continued development of Philippine infrastructure and institutions, the United States has the ways and means to strengthen ties with the Philippines.

As to acceptability, this option should be acceptable to most stakeholders. As mentioned earlier, the United States enjoys overall high favorability with most Filipinos, and additional assistance could serve to maintain a favorable impression. Where acceptability may become an issue is if the United States will need to relax its stance in areas of core values where it is in contention with the Philippines, namely human rights. In May of 2011, the United States agency, Millennium Challenge Corporation (MCC), granted \$434 million dollars to the Philippines to stimulate economic growth and thereby reduce poverty. In December 2016, the MCC delayed a vote on a new funding grant based on concerns over the number of Filipinos killed as part of President Duterte's robust war on drugs.⁶⁴

The risk in this option could arise if the Filipinos, in particular, President Duterte perceive U.S. actions as overbearing or an effort to have greater influence over Philippine sovereignty. This option would rely heavily on diplomatic efforts to communicate the United States' respect for security and well-being of the Philippines and its sovereignty. Additionally, U.S. efforts to strength its ties with the Philippines will

not go unnoticed by China, who is opposed to any increased U.S. influence in the region. In response, the United States could reasonably expect to see China step up its charm offensive, putting the two in direct competition for a relationship with the Philippines and in turn playing into the hands of President Duterte.

The Stick

In the stick option, the United States would seek to send a clear message to the Philippines, in particular, President Duterte and his government by leveraging Philippine dependency on U.S. military and economic aid. This leveraging could encompass anything from renegotiating, or reducing, U.S. commitments to the Philippines to an outright severing of ties.

For diplomatic options, the United States has two historical examples it can follow. First is when the United States suspended its security obligations to New Zealand in 1986 when New Zealand barred any nuclear armed or powered military vessels from its ports. The U.S. response put a severe strain on its relations with New Zealand. The two nations ultimately restored relations over twenty years later in 2010.⁶⁵

The other example is the Philippine-Taiwan incident in 2013, where a Philippine coast guard vessel fired upon on Taiwanese fishing boat killing one of its crew. Taiwan imposed sanctions on the Philippines and lifted them several months later when the Philippines formally apologized for the incident.⁶⁶

Economically, the United States has a range of options from putting restrictions on U.S. companies conducting business in the Philippines to placing increased tariffs on Philippine imports. Militarily, the Philippines is heavily dependent on the United States to train and equip its forces. The United States could scale back its assistance or cancel it altogether.

As harsh as these options sound, they are feasible. However, with regards to risk, this option would face similar acceptability challenges as the wait and see option. The major difference would be the clarity of the message sent by the United States. Whereas in the wait and see option where other parties were left to speculate what the United States' true intentions are, the stick option clearly states that if pushed too far the United States is not afraid to take action. This could generate two possible responses from other allies in the region. The aggressive U.S. stance could quell any thoughts of pushing the United States too hard and serve to solidify some relationships. However, this is most likely a very optimistic viewpoint. An aggressive United States stance towards the Philippines could drive other allies closer to China. The situation would provide an excellent opportunity for China to offer states in the region more stable relationship with a neighbor with resources similar to the United States. Domestically, the severance of ties with the Philippines will obviously not bode well with U.S. firms who do business with the Philippines and also the sizeable United States-Filipino population with ties to family and friends in the Philippines. A fallout with the Philippines would also put our more substantial allies such as Japan, South Korea, and Australia, who all have some formal relations with the Philippines, in an awkward position where they will feel compelled to take a stance on the situation.

Finally, the greatest risk would be if the Philippines fell solidly into the camp of China with the U.S in turn permanently losing its forward staging capability via its bases in the Philippines and a vital presence in the South China Sea. Whereas the relations between the United States and New Zealand ultimately returned to normal, the reconciliation process took approximately twenty-four years.⁶⁷ The United States cannot

afford to have chilled relations with the Philippines for such an extended period. To do so would open an opportunity that China would not hesitate to pursue. Stronger relations with the Philippines would provide China with more support for its claims to the South China Sea and provide it a means for to counter U.S. influence in the region. The United States would not be able to easily reverse this scenario, if at all.

Conclusion

As mentioned earlier, when deciding what approach to take towards the Philippines, the United States should take all factors into account. The United States has stated its interests in the South China Sea and declared its intent to maintain a presence there to protect them. It is an advocate of a rules-based community in the region and seeks productive relationships with as many states there as possible. A continued, stable relationship with the Philippines assists the United States in meeting many of its objectives by allowing it to maintain a presence in the region and ensure conditions exist that are conducive to unimpeded lawful commerce and the peaceful resolution of conflicts.

The United States must also consider the intentions of the Philippines. Denny Roy argues that the Philippines, before President Duterte, was exercising low-level balancing with the United States against China.⁶⁸ The Philippines, knowing it could not match China militarily, sought the assistance of the United States. With the election of President Duterte, the Philippines now appears to be taking an opposite approach. Until recently, Philippine-Chinese relations were marked by territorial disputes and reprisals. Now President Duterte is making a concerted effort to bring the two states closer together. In the case of the U.S.-Philippine relationship, despite lingering resentment over its colonial beginnings, it is positive and cooperative in nature. However, President

Duterte appears to be shunning the United States for China. One could argue that Duterte seems to now be balancing with China against the United States. If this is the case, the United States should look at the sources of threat that lead one country to balance against another and use that in determining how to proceed.

As mentioned earlier, Walt says the sources of threat that cause a state to balance are aggregate power, proximity, offensive capability, and offensive intention. When comparing the United States and China, one would expect the Philippines to see China as the greater threat. With regards to aggregate power and offensive capability, both states far outpace the Philippines. Where differences come into play is with regards to proximity and offensive intentions. China is, of course, closer to the Philippines than the United States and in that respect, could be a greater threat. More importantly though is offensive intentions. While the United States and the Philippines have had their differences with regards to U.S. military presence on Philippine bases, the two states overall have a very non-adversarial history. On the other hand, as recently as UNCLOS ruling in July 2016, the Philippines and China have been in conflict over territorial disputes in the South China Sea. China's growing military strength and its disputes with states in the region demonstrate its willingness to pursue its interests aggressively.

Considering all these factors, the United States should pursue the wait and see option while demonstrating its continued role as an ally of the Philippines. The United States must reassure the Philippines that it is not a threat but a friend who seeks peace and prosperity for it and all states in the region. The United States is in a position of advantage in that a well-established relationship with the Philippine government,

economically and militarily, and it enjoys a high favorability rating with the Philippine population. Continuing to leverage these advantages, the United States should maintain its current connections to the Philippines while delivering its message that it desires peaceful conditions in the South China Sea that enable prosperity for all.

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