



The Republic of the Philippines and U.S. Interests

Thomas Lum
Specialist in Asian Affairs

January 3, 2011

Congressional Research Service

7-5700

www.crs.gov

RL33233

Summary

The United States and the Republic of the Philippines maintain close ties based upon the U.S.-Philippines Mutual Defense Treaty, the period of U.S. colonialization (1898-1946), common strategic and economic interests, and shared democratic values. The United States long maintained sizable naval and air force bases in the country. Although the Philippine Senate voted against U.S. wishes to close American military installations in 1992, bilateral security cooperation resumed following territorial disputes between the Philippines and China in 1994 and the launching of the Global War on Terrorism in 2002. After 2001, the Philippines received one of the most dramatic increases in U.S. foreign aid in Southeast Asia, largely for counterterrorism purposes, including not only military assistance but also health, education, and economic assistance in Muslim areas of Mindanao. In 2010, the U.S. Millennium Challenge Corporation approved a five-year, \$434 million aid compact with the Philippine government focusing on taxation reform, poverty reduction, and infrastructure development.

Broad U.S. policy objectives include maintaining the U.S.-Philippines alliance and stability in Southeast Asia; assisting the Armed Forces of the Philippines (AFP) in counterterrorism efforts and with modernization and administrative reforms; supporting the peace process in western Mindanao; promoting broad-based economic growth and human rights; and helping the Philippines to develop stable and responsive democratic institutions. Some Members of Congress have expressed concern about the incidence of political violence in the country. President Benigno Aquino, elected in 2010, has indicated that he will continue the economic reforms started by his predecessor but place greater emphasis upon fighting corruption and protecting human rights. Other areas of congressional attention include overseeing substantial U.S. foreign aid and counterterrorism programs in the country and maintaining a strong U.S. presence in the region.

The Philippines faces terrorist threats from several groups, including the New People's Army, the Abu Sayyaf Group (ASG), a small, violent Islamist organization which operates in the southern Philippines, and Jemaah Islamiyah (JI), a Southeast Asian Islamic terrorist organization with reported ties to Al Qaeda. The Moro Islamic Liberation Front (MILF), a Muslim separatist group that seeks to establish an autonomous entity in western Mindanao, has been at war against the Philippine armed forces, punctuated by periods of cease fire, since the mid-1990s. Contacts between the ASG, JI, and the MILF reportedly have been tenuous but significant. The difficulty of resolving the question of political autonomy for the MILF means that the southern region is likely to remain unstable and insecure and may provide sanctuary for terrorist groups.

Since 2002, the United States has provided non-combat assistance to the AFP through the Joint Special Operations Task Force – Philippines (JSOTF-P). Philippine-U.S. counterterrorism efforts have helped to significantly reduce the size and strength of Abu Sayyaf. Joint activities include a significant non-military component which has promoted development in Mindanao and helped to reduce the incentives for civilians and insurgents to join separatist and terrorist organizations.

While the United States remains the dominant foreign military, political, economic, and cultural influence in the Philippines, China has become a major trading partner and source of financing and investment. The Philippines has welcomed growing diplomatic and economic interaction with China, but continues to rely upon the United States and the Association of Southeast Asian Nations (ASEAN) as security and diplomatic counterweights to rising Chinese power.

This report will be updated periodically.

Contents

Overview	1
Policy Issues for Congress	1
Political Developments	2
2010 Presidential Elections	2
Politically Motivated Violence and Extrajudicial Killings	4
Economic Conditions	6
U.S. Foreign Assistance	8
Millennium Challenge Compact	9
Philippines-U.S. Security Ties, Military Relations, and Counterterrorism Cooperation.....	10
Visiting Forces Agreement	11
Terrorist, Separatist, and Communist Movements	12
The Abu Sayyaf Group.....	12
MNLF and MILF	13
Communist Party of the Philippines (CPP)	16
PH-U.S. Joint Operations Against Abu Sayyaf.....	16
Non-Military Efforts	17
Philippines-China Relations	18

Figures

Figure 1. Map of The Philippines	22
--	----

Tables

Table 1. Philippines Bilateral Trade with the United States, China, and Japan, 2009.....	7
Table 2. U.S. Assistance to Philippines, FY2008-2011	9

Contacts

Author Contact Information	23
----------------------------------	----

Overview

The United States and the Republic of the Philippines (PH) maintain close ties stemming from the U.S. colonial period (1898-1946), a history of extensive military cooperation, and shared economic and strategic interests. Although the United States closed its military bases in the Philippines in 1992 (Subic Naval Base and Clark Air Base), cooperation in counterterrorism efforts and hedging against China's rise in Southeast Asia have further bound the two treaty allies together. The main pillars of the bilateral relationship are the U.S.-PH security alliance, counterterrorism cooperation, democratic values, trade and investment ties, and extensive people-to-people contacts. Filipino-Americans number approximately four million, making them one of the largest Asian-American groups in the United States, and comprise the largest number of immigrants in the U.S. armed forces. An estimated 250,000 Americans live in the Philippines.¹ Despite general agreement on the importance of U.S.-PH relations, the potential for bilateral frictions has arisen as self interests and perceptions regarding the U.S. influence on Philippine foreign policy, counterterrorism cooperation, China's regional influence, and other issues, have occasionally diverged.

Policy Issues for Congress

Broad U.S. policy objectives include maintaining the U.S.-PH alliance; assisting the Armed Forces of the Philippines (AFP) in counterterrorism efforts and with modernization and administrative reform; supporting the peace process in Muslim areas of Mindanao; promoting broad-based, private sector economic growth; and helping the Philippines to develop more stable and responsive democratic institutions. Some analysts argue that joint counterterrorism efforts that combine military operations, development assistance, and a low-key, non-combat role for U.S. forces have been effective in reducing terrorist ranks while minimizing local and national opposition to U.S. involvement. However, the Philippines continues to struggle with corruption, poverty, localized political violence, and a "culture of impunity" that hinder development, create political instability, and breed pockets of ideological extremism. Although the United States has increased development and security assistance to the Philippines, and recently signed a \$434 million Millennium Challenge Account aid agreement with the country, many fundamental political, economic, and security problems remain. Key U.S. policy concerns toward the Philippines during the 112th Congress include the following issue areas:

- **Governance:** The lack of ability of the Philippine government to provide or ensure economic opportunities, basic social services, and political accountability to many of its citizens is an ongoing source of political instability and of the communist and Muslim insurgencies.
- **Human rights:** Although Filipinos enjoy many political freedoms, many citizens lack human rights protections. A weak judicial system and lack of governmental

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.

¹ Asian Nation <http://www.asian-nation.org>; Migration Policy Institute (September 2008) <http://migrationinformation.org/>; Department of State, "Background Note: Philippines," October 29, 2010.

control over large and militarized areas in the South, particularly in Mindanao, have led to ongoing human rights abuses by government security forces, powerful political families, local clans, and private militias.

- **Security:** Sporadic and generally small-scale attacks and kidnappings by terrorist groups remain a threat. Political instability and security risks have hindered economic development and investment, particularly in Mindanao. President Aquino's policies toward insurgencies appear to place more emphasis on economic and political solutions rather than military ones as compared to his predecessor, and peace talks with Muslim separatist and communist groups are planned.
- **Terrorism:** Philippine counterterrorism efforts, with U.S. assistance, have significantly reduced the strength of Islamist terrorist groups and their global contacts. However, the lack of a political settlement between the PH government and Muslim separatist entities in Mindanao and Sulu helps to provide safe harbor for what remains of these groups.
- **Regional Issues:** The United States has become increasingly active diplomatically in Southeast Asia, including appointing an Ambassador to the Association of Southeast Asian Nations (ASEAN) in 2008, participating in the first U.S.-ASEAN leaders meeting in 2009, and joining the East Asia Summit in 2010.² Growing U.S. engagement has been spurred partly by China's rising economic influence in the region and assertiveness regarding disputed maritime territories in the South China Sea.

Political Developments

2010 Presidential Elections

In May 2010, Senator Benigno Aquino III, son of former president Corazon Aquino and democratic leader Benigno Aquino Jr.,³ was elected President. With 45% of the vote, he won the election by a large margin against his nearest opponents, former President Joseph Estrada (25%) and Senator Manuel Villar (14%). Traditionally in Philippine politics, the chief executive's support has been based largely upon personal or charismatic appeal rather than ideology. Benigno "Noy Noy" Aquino III's personal attraction was based in part upon sentiment for his mother, who died less than a year before the elections, and in part a longing for cleaner government. Noy Noy Aquino, with an undistinguished track record in Congress, did not forcefully articulate his views on ideology and policy during his the 2010 campaign for president. However, he ran on a promise of fighting political corruption and benefitted from his parents' legacy of integrity, thereby garnering political support that was broad if not deep. Corruption and jobs reportedly were the

² The East Asia Summit consists of the members of ASEAN, Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States.

³ 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.

key issues on most voters minds.⁴ As of late November 2010, President Aquino’s “net satisfaction rating” was +64 or “very good.”⁵

The 2010 national elections, which used automated counting machines, “far exceeded expectations.”⁶ There were some allegations of duplicate voting, vote-buying, and intimidation and harassment of voters at the local level. In addition, there were reports of roughly one dozen election-related deaths on voting day, mostly in the southern region of the country. Nonetheless, the elections were deemed largely free and fair and without significant irregularities by international election monitors.⁷

Aquino’s predecessor, Gloria Macapagal-Arroyo, faced low approval ratings during nearly her entire presidency. Although the country’s economy made gains during her tenure, incidents of political corruption and violence continued or grew. As Vice-President, Arroyo assumed the top office after President Joseph Estrada was removed from office in 2001 following charges of corruption. She won the presidential election of 2004 but was accused of attempting to rig the election.⁸ During her tenure, President Arroyo faced popular protests calling for her resignation, four unsuccessful impeachment bids, and at least three mutinies against her government by mid-ranking personnel of the Philippine armed forces. Despite her lack of popularity, however, Arroyo maintained support from the top ranks of the military. Some observers argue that in return for the military’s support, Arroyo protected the security forces from charges of corruption and human rights abuses.⁹

Philippines at a Glance

Geography: Mountainous archipelago
Area: Slightly larger than Arizona
Population: 98 million
Ethnic groups: Malay (95%); 5%—Chinese, mixed race (Filipino-Spanish, Filipino-Chinese, Filipino-American), other.
Largest Religions: Roman Catholic (80%); Muslim (5%)
Life Expectancy: 71 years
Literacy: 92%
Gross National Product (GDP) [rank]: \$324 billion [36]
GDP per capita: \$3,300 (purchasing power parity)
GDP composition by sector: agriculture 15%; industry 30%; services 55%
Population below poverty line: 33%
Military expenditures [rank]: 0.9% of GDP [143]
Source: Central Intelligence Agency *World Factbook*

Many aspects of institutional democracy are practiced to the fullest in the Philippines, and checks and balances function at the national level. Citizens generally can exercise political and civil rights with few restrictions, freely criticize national leaders, and enjoy academic and religious liberties. The country has a robust civil society. However, patterns of patronage and cronyism, entrenched socio-economic interests, the excessive influence of local elites and clans, Muslim and

⁴ “Philippines Politics: Noynoy Wins,” *Economist Intelligence Unit ViewsWire*, May 11, 2010.

⁵ Ana Mae G. Roa, “‘Normal Honeyman’ for Now,” *BusinessWorld Online*, December 12, 2010.

⁶ International Foundation for Electoral Systems, *IFES Philippines: Political Update*, May 25, 2010.

⁷ “Some Flaws in Philippine Polls but Result Unchanged,” *Reuters News*, May 13, 2010; “Roundup: Philippine General Election Marred by Sporadic Violent Incidents,” *Xinhua*, May 10, 2010.

⁸ The basis of the accusation was a recorded telephone conversation of Arroyo with a member of the Commission of Elections prior to the voting. In the call, she reportedly told the commissioner that she wanted to secure a “one million vote margin,” and he responded by expressing support for her wish. In June 2005, President Arroyo publicly apologized for a “lapse in judgment” but vowed to remain in office. Paul Alexander, “Support for Philippine President Crumbles,” *Washington Post*, July 8, 2005.

⁹ Joel D. Adriano, “Arroyo’s Risky Politics of Patronage,” *Asia Times Online*, December 9, 2008.

communist insurgencies, a weak judicial system, and lack of civilian control over the military have allowed corruption to thrive, undermined government effectiveness, and led to human rights abuses. One analyst described the Philippines as a “weak state ... captured by strong interests.”¹⁰ In 2008, the Economist Intelligence Unit (EIU) ranked the Philippines 77th out of 167 countries in terms of democracy, owing largely to corruption and the threat of military coups. However, the EIU scored the Philippines high on the electoral process, pluralism, and civil liberties.¹¹

The ability of the Philippine government to effectively carry out policies often is 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.¹²

Politically Motivated Violence and Extrajudicial Killings

Politically motivated acts of violence against journalists and others and extrajudicial killings of individuals linked to leftist groups rose during the Arroyo presidency. These incidents exposed the lawlessness of some areas of the country, the unchecked power of many local clans and military units, and the government’s ties with these entities. The causes of political violence, which the Arroyo government made some efforts to address, are made more difficult to counter due to the “culture of impunity,” or the expectation that perpetrators of crimes and human rights violations will not be brought to justice. This problem is caused in part by a justice system that is underfunded, understaffed, and backlogged, and in part by a lack of political will, according to some analysts. Some experts argue that the Arroyo government’s focus on security and fighting terrorism, which reflected U.S. concerns, contributed to the neglect of human rights.

Human rights groups have accused Philippine security forces—the AFP and Philippine National Police (PNP)—and their proxies of carrying out extra-judicial killings of civilians, often as part of broad or indiscriminate military campaigns against communists and Muslim insurgents. Hundreds of left-leaning political, trade union, church, rural, and human rights activists reportedly have been killed in the past decade.¹³ According to some analysts, President Arroyo was reluctant to discipline the military, since its top ranks provided her with much needed political support. In addition to alleged abuses committed by the military, the government has long allowed the existence of, and relied upon private militias and paramilitary forces to help enforce security in rural areas. Many of these armed groups have operated with little governmental control and have exacerbated problems of political violence.¹⁴ The Aquino administration reportedly has

¹⁰ Mely Caballero-Anthony, “U.S.-Philippine Relations after the Iraq Crisis,” *PacNet No. 35*, August 19, 2004.

¹¹ Economist Intelligence Unit, *Country Profile 2008 (Philippines)*.

¹² Alex Magno, “The Perils of Pedestals,” *Time Asia*, July 11, 2005.

¹³ “The Dirty War that Deepens Philippine Divisions,” *International Herald Tribune*, August 22, 2006; Donald Kirk, “Filipinos Protest Steady Rise of Political Killings,” *Christian Science Monitor*, May 31, 2006.

¹⁴ Dan Murphy, “Philippines Massacre: The Story Behind the Accused Ampatuan Clan,” *Christian Science Monitor*, November 24, 2009; “The Philippines: After the Maguindanao Massacre,” *International Crisis Group, Asia Briefing No. 98*, December 21, 2009; John McLean, “Philippine Massacre: Commission to Take on 100 Private Armies,” *Christian Science Monitor*, January 7, 2010; “Philippines’ Aquino Says Militias to Remain Despite Abuses,” *Agence France Presse*, November 23, 2010.

considered disbanding private armies and proposed improving supervision and training of paramilitary forces.¹⁵

AFP officials have largely rejected the claims that extrajudicial killings have occurred or that the military should be blamed, as well as the notion that the victims were innocent. Some military officials have responded to allegations with counterclaims that the killings were a fabrication of the CPP, that political and social organizations of whom many alleged victims were members, such as the National Democratic Front, Bayan Muna, and Karapatan, were fronts for the CPP, or that activists were killed as part of CPP intra-organizational purges.¹⁶ A Philippine National Police task force declared that about three-fourths of these killings were non-political in nature.¹⁷

In 2006, partially in response to outcries from Philippine and international human rights groups, the Catholic Church of the Philippines, and European countries, President Arroyo created a special task force to investigate the extra-judicial killings and invited the United Nations Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions, Philip Alston, to conduct a fact-finding mission. The task force (Melo Commission) and the Special Rapporteur released their findings in early 2007.¹⁸ Both studies implicated the Philippine armed forces but not the government. They largely rejected the assertions that many leftist activists were linked to the Communist Party, killed by the CPP as part of an internal purge, or died in military combat between the AFP and the New People's Army.

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 were murdered. The powerful, rival Ampatuan clan was implicated in the massacre. Clan leader Andal Ampatuan, Sr., the incumbent governor, possessed a private army and enjoyed close ties to President Arroyo, reportedly helping her to win the province in 2004 and to weaken local Muslim insurgents. Andal Ampatuan, Jr., the chief suspect in the massacre, had hoped to succeed his father as governor. The trial for his alleged role in the killings commenced in January 2011.¹⁹

In response to recommendations of the Melo Commission and Special Rapporteur, the Arroyo government took major steps to reverse the trend. The government promised to bolster the investigation and prosecution of cases involving extra-judicial killings and establish procedures to ensure greater accountability in the military and police forces. The AFP established a human rights office and became more selective in its targets, which resulted in a drop in the number of cases. Although the number of killings has declined, human rights groups have complained that there have been only 11 convictions and no conviction of a member of the military, and that little progress has been made in implementing some of the promised reforms.²⁰ In 2009, the

¹⁵ Ana Mae G. Roa and L. P. Pacardo, "Aquino Wants Paramilitary Groups Insulated from Politicians," *Business World*, November 19, 2010.

¹⁶ "Rights Activists Uncowed as Blood Letting in Philippines Continues," *Agence France-Presse*, November 12, 2006.

¹⁷ "Philippine Police Reject 635 Cases on Rights Group's Extrajudicial Killings List," *BBC Monitoring Asia Pacific*, February 4, 2008.

¹⁸ "Another Journalist Shot Dead," *Philippine Daily Inquirer*, February 20, 2007; Press Statement: Professor Philip Alston, Special Rapporteur of the United Nations Human Rights Council on Extrajudicial, Summary or Arbitrary Executions, Manila, February 21, 2007.

¹⁹ Shawn W. Crispin, "Makings of a Massacre: Impunity Fostered Philippines Killings," *Committee to Protect Journalists*, February 16, 2010; "Philippines: Local Ruling Family's Abuses Implicate Government," *Human Rights Watch*, November 15, 2010.

²⁰ Katherine Adraneda, "RP Report Card on HR: Abysmal," *The Philippine Star*, January 3, 2009; "Letter to President Aquino Regarding Extrajudicial Killings in the Philippines," *Human Rights Watch*, July 12, 2010.

Commission on Human Rights (CHR), an independent government agency, blamed security forces for the killings of some leftist activists in rural areas.²¹ President Aquino reportedly has called on the Philippine military to place greater emphasis on human rights in its missions.²²

Although incidents of violence subsided after reaching a peak in 2006, the recent Maguindanao massacre, allegedly carried out by the Ampatuan clan, in which over 30 members of the press were killed, again raised the profile of violence against journalists in the Philippines. The Committee to Protect Journalists has ranked the Philippines, where it reports 68 journalists have been murdered since 1992, as one of the most dangerous places in the world for journalists, and as a country with one of the lowest rates of conviction in such cases.²³ 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 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 their political ties to corrupt local power holders.²⁴ In June 2010, U.S. State Department spokesperson Philip Crowley stated that the United States deplored the killings of journalists and urged Philippine authorities to “move quickly to bring those responsible to justice.”²⁵

Economic Conditions

During the post-World War II period, the Philippines, with its American-influenced political institutions and culture, well-educated workforce, and widespread use of English, was considered by some observers to be the second most-developed country in East Asia, after Japan. While some of this legacy remains, the country has fallen behind other developing nations in the region, and many of its skilled and middle class people work overseas or have emigrated. Among the major obstacles to economic development are large public debt, government corruption, a weak judicial system, and inadequate spending on infrastructure and social services. A high population growth rate (2%—the highest in East Asia) also has hindered poverty reduction and economic growth. In 2010, the United Nations Development Program’s Human Development Index (HDI) ranked the Philippines as number 97 in the world, compared to its status as number 70 in 2001.²⁶

Many analysts credit the Arroyo Administration for putting the Philippine economy back on a strong footing after several years of stagnation. Economic growth has averaged 4.5% annually since 2001. Arroyo’s fiscal reforms, which included reducing public debt through more aggressive collection of taxes and imposing a broad-based value-added tax, streamlining government operations, and privatizing public sector enterprises, contributed to economic growth.

²¹ U.S. Department of State, *2009 Human Rights Report: Philippines*, March 11, 2010.

²² “Human Rights and the Philippine Campaigns against Insurgencies and Terrorism Under the Aquino Administration: Transitioning from a Culture of Fear and Impunity to an Atmosphere of Hope,” International Federation for Human Rights (FIDH) and Philippine Alliance of Human Rights Advocates (PAHRA) Briefing Paper, November 2010.

²³ Committee to Protect Journalists <http://cpj.org/asia/philippines/>.

²⁴ W. Scott Thompson, “Philippines: The Culture Of Impunity,” *Los Angeles Times*, December 11, 2009.

²⁵ “U.S. Urges Philippines to Prosecute Killers of Journalists,” *Agence France Presse*, June 22, 2010.

²⁶ The HDI ranks countries according to the indicators of life expectancy, education, literacy, and per capita income. See <http://hdr.undp.org/en/statistics/>.

The government budget deficit declined, agriculture, export industries (such as electronics), and business process outsourcing (BPO) performed well, and remittances from abroad surged. The Philippines is the world's second largest center for business process outsourcing, after India, employing an estimated 350,000 workers and accounting for 3% of GDP.²⁷ In addition, foreign investment has rebounded. According to many analysts, the main economic policy challenge facing President Aquino is raising government revenues in part through reducing tax evasion.

Philippine prosperity is highly dependent upon remittances from abroad. The country ranks fourth in the world in total remittances (an estimated \$21 billion in 2010, or about 12% of GDP), and ninth in the number of workers employed overseas (roughly 10 million).²⁸ While this source of income is a boon to the economy, 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.

The Philippines' largest trading partners are the United States, Japan, and China (including Hong Kong). Total trade with each partner surpassed \$11 billion in 2009. China is slowly catching up to the United States and Japan as the largest trading partner. The Philippines' top export markets, in order of importance, are the United States, Japan, and China, while the country's largest sources of imports are Japan, China, and the United States. The country's largest export items include machinery, electronics and apparel to the United States; electronics, machinery, and wood to Japan; and electronics, machinery, and copper to China. The Philippines enjoys small trade surpluses with all three major partners.²⁹ (See **Table 1.**) The largest sources of foreign investment in the Philippines include Japan, the United States, South Korea, the United Kingdom, the Netherlands, and Taiwan.

Table 1. Philippines Bilateral Trade with the United States, China, and Japan, 2009
(\$billions)

Trading Partner	Imports	Exports	Total Trade	Change from 2008 (%)
U.S.	5.1	6.7	11.8	-23
China	3.8	2.9	6.7	-30
Hong Kong	1.4	3.2	4.6	-33
Japan	5.3	6.2	11.5	-19

Source: Global Trade Atlas (Philippine data may differ from that of its trade partners).

²⁷ Sarah Efron, "Calling out Bangalore; Rivalling India, the Philippines See Prosperity in Offshore Outsourcing," *National Post*, September 6, 2008.

²⁸ "The Strength of the Filipino Diaspora," *Manila Bulletin*, November 17, 2010.

²⁹ *Global Trade Atlas* using Philippines data.

U.S. Foreign Assistance

In the past decade, the Philippines, regarded by Washington as a front-line state in the war on terrorism, received one of the most dramatic increases in U.S. foreign assistance in Southeast Asia, including military and development assistance. About 60% of U.S. assistance to the country has supported development programs in Muslim areas of Mindanao and the Sulu Archipelago, with the aim of reducing the economic and political conditions that make radical or extremist ideologies and activities attractive.³⁰ In September 2007, the Bush and Arroyo administrations signed an agreement for a \$190 million, five-year peace and development program in Mindanao, to be implemented by the U.S. Agency for International Development (USAID) and the Mindanao Economic Development Council (MEDCO).³¹

According to the U.S. State Department, U.S. assistance “helps the Philippines promote peace and security; strengthen governance, rule of law, and the fight against corruption; invest in people to reduce poverty; and accelerate economic growth through improved competitiveness.”³² Other, related program areas include security sector reform, human rights, basic education, public health, infrastructure, and environmental protection. In FY2009, USAID and the U.S. Department of Agriculture provided food aid and food production assistance through the World Food and Food for Progress programs. See **Table 2**.

The United States government has attempted to help address the problem of extra-judicial killings through its foreign assistance activities. Related aid programs include providing funding to the Philippine Commission on Human Rights, training Philippine investigators and prosecutors, educating military and law enforcement personnel in the areas of human rights and civil liberties, supporting judicial system improvements, and aiding civil society groups. Since 2008, the U.S. government has placed human rights conditions upon Foreign Military Financing (FMF), one of the largest U.S. assistance programs in the Philippines. In 2008-2009, \$2 million out of the total FMF authorized for the Philippines was withheld pending the satisfaction of human rights conditions. In 2010, the penalty was raised to \$3 million. The conference agreement on the Consolidated Appropriations Act for FY2010 (P.L. 111-117) provided \$32 million in FMF for the Philippines, of which \$3 million may not be obligated until the Secretary of State reports in writing to the Committees on Appropriations that:

1. The Government of the Philippines is continuing to take effective steps to implement the recommendations of the U.N. Special Rapporteur on extra-judicial, summary, or arbitrary executions; sustaining the decline in the number of extra-judicial executions; and strengthening government institutions working to eliminate extra-judicial executions;
2. The Government of the Philippines is implementing a policy of promoting military personnel who demonstrate professionalism and respect for internationally recognized human rights, and is investigating, prosecuting, and

³⁰ USAID <http://www.usaid.gov/policy/budget/cbj2007/ane/ph.html>; Max Boot and Richard Bennet, “Trading Softly in the Philippines,” *The Weekly Standard*, January 5-12, 2009.

³¹ “U.S. People Pledge \$190 Million in Assistance to Philippines over Next Five Years to Promote Economic Development, Strengthen Foundations Of Peace In Mindanao,” *US Fed News Service*, September 20, 2007.

³² U.S. Department of State, *Congressional Budget Justification for Foreign Operations, FY2011*.

- punishing military personnel and others who have been credibly alleged to have violated such rights; and
3. The Armed Forces of the Philippines do not have a policy of, and are not engaging in, acts of violence or intimidation against members of legal organizations who advocate for human rights.

Table 2. U.S. Assistance to Philippines, FY2008-2011

(thousands of U.S. dollars)

Account	2008	2009	2010	2011
Global Health	24,967	27,175	33,220	32,520
DA	27,321	30,000	40,310	71,307
ESF	42,773	30,000	30,000	0
FMF	27,757	28,000	29,000	15,000
IMET	1,525	1,730	1,850	1,950
INCLE	794	800	1,365	2,450
NADR	4,562	4,175	5,625	9,525
Totals	131,707	123,889	143,380	134,763
Food Aid – P.L. 480 Title II	—	777	—	—
FFP	—	3,162	—	—

Source: U.S. Department of State; USAID; U.S. Department of Agriculture.

Notes: Foreign Aid Account Acronyms: CSH – Child Survival and Health; DA – Development Assistance; ESF – Economic Support Funds; 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; FFP – Food for Progress.

Millennium Challenge Compact

The Millennium Challenge Account (MCA), established in 2004, rewards countries that have demonstrated good governance, investment in health and education, and sound economic policies. In 2006, the Millennium Challenge Corporation (MCC), an independent U.S. foreign aid agency, designated the Philippines as a “threshold” country, or close to meeting MCA criteria and eligible for assistance in qualifying for an award. The MCC, USAID, and other agencies administered a two-year, \$21 million threshold program that focused on improving government revenue collection and fighting corruption. 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.³³

³³ Millennium Challenge Corporation, *MCC and the Philippines: Creating Opportunities for Growth*, August 9, 2010 <http://www.mcc.gov/documents/press/factsheet-2010002036001-philippinescompact.pdf>.

- 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) is 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) is to rehabilitate an existing 22 kilometer road segment, thereby reducing transportation costs and promoting commerce between the provinces of Samar and Eastern Samar.

Trafficking in Persons

In 2009, the Philippines was downgraded to Tier 2 “watch list” on the U.S. State Department’s *Trafficking in Persons Report* and remained there in 2010, which means that it has a serious problem of human trafficking and, although the government is making significant efforts to address the issue, there is insufficient evidence of major progress. The report states that the Philippines, with its very large population of citizens working overseas, is primarily a country from which victims are trafficked, rather than a destination of trafficking. Many of these persons are subjected to involuntary servitude, forced labor, or prostitution in foreign countries where there also are large numbers of legal Filipino guest workers. The report continues: “Greater progress in prosecution and conviction of both labor and sex trafficking offenders is essential for the Government of the Philippines to demonstrate significant and increasing progress toward compliance with the minimum standards for the elimination of trafficking.”³⁴ Without improvement, the Philippines could be downgraded to Tier 3. A Tier 3 ranking could serve as a basis for withholding non-humanitarian aid.

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

The PH-U.S. security alliance is manifested in joint military exercises, in which American troops assume a subsidiary and non-combat role. The United States closed its military bases in the Philippines in 1991 in response to a vote in the Philippine Senate, which reflected nationalist sentiments, rejecting an extension of the U.S. stay. Since the mid-1990s, the impetus behind bilateral military cooperation has been China’s rise in Southeast Asia and counterterrorism. The Muslim insurgency in Mindanao and the Sulu Archipelago has been an ongoing source of political instability, lack of development, and human rights abuses in the southern region, has been connected to terrorist attacks throughout the country, and has provided some refuge to Southeast Asian, pan-Islamic terrorist groups. Joint military activities have reduced the numbers of terrorist fighters in the South, while garnering goodwill toward both the Philippine government and the U.S. military through the carrying out of economic development projects. Despite these successes, difficult challenges facing lasting solutions to terrorist, separatist, and communist insurgencies remain. These include how to create a lasting political solution among competing Muslim and non-Muslim stakeholders; how to ensure that local economic development projects

³⁴ U.S. Department of State, Office To Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report 2010*, June 14, 2010.

are sustainable; and how to reduce human rights abuses related to Philippine military counter-insurgency and anti-communist campaigns, local militias, and a culture of impunity.

Visiting Forces Agreement

The Philippines is a treaty ally of the United States under the 1951 Mutual Defense Treaty, and relies heavily upon the United States for its external security. Manila has actively supported U.S. counterterrorism efforts in Southeast Asia and has worked with the United States to enhance its own counterterrorism capabilities. Following the terrorist attacks in the United States in September 2001, the U.S. government proclaimed the Philippines as a front-line state in the global war on terrorism. The Bush Administration designated the Philippines as a Major Non-NATO Ally on October 6, 2003, after President Arroyo announced Manila's support for the U.S.-led invasion of Iraq.

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, in 1995, PH President Fidel Ramos invited U.S. forces back on a limited basis, partially in response to China's activities on Mischief Reef in the Spratly Islands chain in the South China Sea, which has overlapping claims. A Visiting Forces Agreement (VFA), allowing joint PH-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. In January 2000, PH-U.S. joint military exercises ("Balikatan" or *Shoulder-to-Shoulder*), in which the United States assumes a non-combat role and does not have a permanent base of operations, were held following a five-year hiatus.

Following the September 11, 2001 attacks, Manila offered ports and airports for use by U.S. naval vessels and military aircraft. On March 20, 2003, the Philippines sent a peacekeeping and humanitarian contingent of nearly 100 soldiers and other personnel to Iraq. In July 2004, the Arroyo government withdrew its troops ahead of schedule in exchange for the release of a Filipino truck driver who had been kidnapped by an Iraqi resistance group. Arroyo's action represented an exertion of national over bilateral (PH-U.S.) interests, and angered some U.S. officials and policy observers who asserted that Manila "had emboldened the terrorists." President Arroyo's state visit to Beijing in September 2004 further added to the apparent chill in PH-U.S. relations. However, the basic ideological and institutional foundations of the bilateral relationship remained strong.³⁵

In September 2009, the Philippine Senate passed a non-binding resolution calling for a renegotiation of the VFA.³⁶ President Aquino has indicated that the VFA should be reviewed, although not abrogated, also noting that the presence of U.S. troops was intended to be temporary.³⁷ Issues for review include U.S. troop levels, provisions related to the custody of U.S. soldiers who have committed crimes in the Philippines, and financial compensation for U.S. forces' use of Philippine territory.³⁸ Furthermore, some U.S. policy makers reportedly have

³⁵ Mely Caballero-Anthony, "U.S.-Philippine Relations after the Iraq Crisis," *PacNet No. 35*, August 19, 2004; Andrea Koppel, "U.S. Confused by Philippine Decision," *CNN.com*, July 13, 2004; Peter Brookes, "Saying 'Yes' to Terror," *The Heritage Foundation*, July 16, 2004.

³⁶ Christine Avendano, "Santiago: Renegotiate or Abrogate VFA," *Philippine Daily Inquirer.net*, August 31, 2009.

³⁷ Norimitsu Onishi, "Philippine Landslide Seen for Aquino," *New York Times*, May 11, 2010.

³⁸ "Philippines – Aquino to Address VFA Critics' Concerns," *Open Source Center Report*, November 3, 2010.

questioned the need for the over 500-member *U.S. Joint Special Operations Task Force – Philippines (JSOTF-P)*, deployed since 2002, to remain in Mindanao, given their need elsewhere in the world. However, the Obama Administration reportedly decided that removing JSOTF-P would be premature and that a sustained commitment was necessary.³⁹

Terrorist, Separatist, and Communist Movements

Terrorist, separatist, and communist movements, largely concentrated in resource-rich but underdeveloped western Mindanao and the Sulu Archipelago, are ongoing sources of political instability, violence, and support or sanctuary to regional Islamist terrorist groups. The Philippines is not generally considered a key breeding or training ground for international Islamist jihad or holy war, and its role in Southeast Asian terrorist movements has decreased in part through joint Philippine-U.S. military and aid efforts. However, a resolution to the conflict between the main autonomy-seeking insurgency, the Moro Islamic Liberation Front (MILF), the Philippine government, and other local power holders, faces daunting challenges. The ongoing political instability and poverty in the South and sense of grievance among many Filipino Muslims, particularly over the issue of ancestral domain, or the reclamation of historical land, have helped to fuel a continuation of violence and the involvement of terrorist groups, some with links to international jihadist networks. In addition, government and military efforts to combat Muslim and communist insurgencies have combined with weak legal institutions and political corruption to produce problems of political violence and extra-judicial killings.

The Abu Sayyaf Group

The Abu Sayyaf Group (ASG) is a small, violent Muslim group operating mostly in the Sulu island chain extending from Mindanao. It has a record of hostage-taking for ransom, killings, and bombings. The ASG has provided sanctuary to Indonesian Islamist terrorists and has had tenuous or sporadic ties or cooperation with Al Qaeda, which, however, appear to have weakened.⁴⁰ After a period during the mid-2010s when its terrorist activities and links grew, the group's membership and potency have been reduced due to Philippine-U.S. joint counterterrorism efforts.

In the early 2000s, under the leadership of Khadafi Janjalani, Abu Sayyaf gained greater effectiveness as a terrorist organization. Janjalani de-emphasized kidnapping for ransom and instead developed capabilities for urban bombing. He improved ties with military factions of the MILF and established cooperation with Jemaah Islamiyah (JI), the Indonesia-based, Southeast Asian terrorist organization with ties to Al Qaeda. Janjalani also re-emphasized the Islamic or religious orientation of the ASG. In March and April 2003, Abu Sayyaf, MILF cadre, and JI carried out bombings in Mindanao that killed 48 people. 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), a terrorist group of Filipino Muslim converts from the Manila area.⁴¹ In February 2005, the ASG and RSM carried out simultaneous bombings in three cities,

³⁹ Thom Shanker, "U.S. Military to Stay in Philippines," *New York Times*, August 21, 2009.

⁴⁰ Preeti Bhattacharji, "Terrorist Havens: Philippines," *Council on Foreign Relations Background*, June 1, 2009. 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.

⁴¹ Mogato, Manny. "Philippine Rebels Linking up with Foreign Jihadists." *Reuters*, August 21, 2005; Del Puerto, Luige A. "PNP [Philippine National Police]: Alliance of JI, RP Terrorists Strong." *Philippine Daily Inquire*, November 20, (continued...)

which killed 16 people, while the Philippine government uncovered plots to carry out additional attacks in Manila. One reported target was the United States Embassy.

The ASG committed over three dozen kidnappings in 2009-2010, including seven beheadings, and were responsible for about one dozen relatively small-scale bombings on Jolo and Basilan islands.⁴² In June 2010, the ASG was blamed for a rifle attack on a bus, killing four people and wounding six others. In August 2010, a homemade bomb that detonated in Zamboanga in western Mindanao killed one person and injured more than one dozen people, but this incident reportedly may be related to a political vendetta rather than Islamist terrorism.⁴³

MNLF and MILF

Abu Sayyaf has a symbiotic relationship with two Muslim separatist movements, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front. These organizations represent Moro or Muslim ethnic and religious groups. 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. More than 120,000-150,000 people have been killed in fighting related to separatist insurgencies since the late 1960s. The MNLF signed a peace treaty with Manila in 1996, which granted limited autonomy to four Mindanao provinces under an Autonomous Region of Muslim Mindanao (ARMM). However, MNLF leaders claim that many provisions of the ARMM have not been fully implemented. The MILF was established in 1980 as a more religious and less compromising splinter group of the MNLF. Although the MILF has sought to distance itself from the ASG and negotiate a peace agreement with the Philippine government, it has not formally renounced its goal of an independent Islamic state in Mindanao. The MILF numbers an estimated 11,000 guerilla fighters and continues to engage in combat training.⁴⁴

Although the Bush Administration considered placing the MILF on the U.S. list of terrorist organizations, it ultimately adopted a policy of supporting the peace talks as the best means of de-linking the MILF from pan-Islamist terrorist organizations. Both the Philippine government and MILF leaders reportedly have called on the United States to get more directly involved in the negotiations.⁴⁵ In November 2009, Secretary of State Hilary Clinton, while on a visit to Manila, suggested that the Obama Administration would play a more direct role in the peace process as well as continue military and economic assistance, despite complaints from some Filipino opinion

(...continued)

2005.

⁴² Zachary Abuza, "The Philippines Chips away at the Abu Sayyaf Group's Strength," *CTC Sentinel*, April 2010; Carlos H. Conde, "Militants Behead 3 in Southern Philippines," *International Herald Tribune*, June 14, 2010.

⁴³ "Philippine Defense Chief Says Recent Zamboanga Blast 'Not Act of Terrorism'," *BBC Monitoring Asia Pacific*, August 11, 2010.

⁴⁴ Jim Gomez, "Philippine Muslim Rebels Continue Combat Training, Seek Arms Despite Planned Talks," *Associated Press*, August 11, 2010.

⁴⁵ Julmunir I. Jannaral, "MILF Says US Government Has Unfinished Obligation Toward Moro People," *Manila Times Online*, December 1, 2008; Fabio Scarpello, "U.S. Diplomat Meets Philippines Rebels amid Ongoing Controversy over U.S. Presence," *World Politics Review*, February 28, 2008.

leaders that greater U.S. involvement was too intrusive or represented a loss of Philippine sovereignty.⁴⁶

Clan Violence

According to some experts, a chief factor contributing to the cycle of corruption, poverty, and violence in Mindanao is clan conflict and vendettas, also known as *rido*. Local police, AFP units, and factions of regional separatist organizations have become involved in and exploited such conflict. In some cases, parties to clan disputes have enlisted state or insurgent military resources; in others, government and rebel forces have recruited local familial groups or their private militias. *Rido* reportedly also has been a frequent cause of political violence against journalists in the region, including the 2009 Maguindinao massacre.⁴⁷

2008 Peace Agreement and Its Collapse

Peace negotiations between Manila and the MILF have attempted to produce an arrangement that provides substantial autonomy and an end to the prolonged military conflict. In August 2008, the Philippine government and the MILF signed a Memorandum of Agreement on Ancestral Domain (MOA-AD) in Kuala Lumpur, Malaysia, laying out a framework for recognizing Moro land claims and ending the MILF insurgency. The MOA-AD would establish a “Bangsamoro Juridical Entity” (BJE), comprised of, or supplanting, the ARMM and as many as 737 Muslim majority villages (barangays) outside the ARMM as determined through plebiscites. It also laid out the possible future inclusion of 1,459 other “conflict-affected areas.” The BJE would have an “associative relationship” with the Philippine government – providing greater autonomy than the ARMM arrangement. The Entity would be empowered to create its own government, election and judicial systems, police force, banking system, and schools (all but foreign diplomacy, national defense, currency, and postal service). The economic resources of the region would be allocated among the Philippine government and the BJE on a 25/75 percent basis favoring the BJE. The Entity could enter into trade and economic relations with foreign countries and would control the resources of waters extending 15 kilometers from its coast.⁴⁸

Immediately after the conclusion of the Memorandum of Agreement, however, Christian politicians in Mindanao, from areas that would likely be incorporated into the BJE, filed a suit with the Philippine Supreme Court, calling for the Court to block the MOA-AD. Resistance to the Memorandum reportedly also came from not only local Christian leaders and residents, but also entrenched political and economic interests in Mindanao and opposition politicians in Manila. The Court issued a temporary restraining order blocking action on the agreement, and in October 2008 ruled that the MOA-AD was unconstitutional. In an 8-7 decision, the Court held that the “associative relationship” was illegal in that it implied eventual independence for the BJE. Some analysts suggest that the Arroyo Administration’s lack of legitimacy as well as preparation on

⁴⁶ James Hookway, Clinton Backs Philippine Counterinsurgency – Secretary Promises Further U.S. Support,” *Wall Street Journal Asia*, November 13, 2009; Patricio P. Diaz, “Critical Questions For Hilary,” *MindaNews*, November 16, 2009.

⁴⁷ Wilfredo Magno Torres III, ed. *Rido: Clan Feuding and Conflict Management in Mindanao*, The Asia Foundation, 2007; “Extrajudicial Killings in the Philippines: Strategies to End the Violence,” Statement by G. Eugene Martin, U.S. Institute of Peace, Hearing before the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs, March 14, 2007; “‘Rido’ Worsens Conflict in South, Says Study,” *Inquirer.net*, October 29, 2007.

⁴⁸ “The Philippines: The Collapse of Peace in Mindanao,” *International Crisis Group, Asia Briefing No. 83*, October 23, 2008; Fe Zamora, “Bangsamoro to Get Own State: Government, MILF to Sign Ancestral Domain Pact Tuesday,” *Philippine Daily Inquire*, August 3, 2008.

constitutional issues had doomed the Agreement from the start.⁴⁹ The MILF questioned the government's sincerity in pursuing the settlement and sought a commitment from Manila to adhere to the principles of the Memorandum.⁵⁰ Renewed fighting between the AFP and some MILF units broke out following the collapse of the accord, reportedly resulting in the displacement of over 130,000 villagers and dozens of deaths.⁵¹

A new truce was negotiated in the summer of 2009, and both sides, exhausted by years of fighting, reached an agreement to resume negotiations by the end of the year. In June 2010, the Philippine government and the MILF signed a Declaration of Commitment, in which both sides assented to continue negotiations under the Aquino administration. MILF leaders stated in the Fall of 2010 that they expected the peace process to take two years.⁵²

The obstacles to a lasting peace in western Mindanao and Sulu remain formidable, largely due to resistance from key stakeholders, including rogue members of the MILF who do not want to settle for limited autonomy; Christian leaders and communities in the region; members of the government and army who do not want to see the MILF politically or militarily strengthened through a settlement; the general public, which is not sympathetic to the MILF; and the MNLF, which has been excluded from the peace process but whose jurisdictions under the ARMM would be directly affected by the BJE. Some analysts suggest that some MNLF leaders do not support the BJE because it may undermine their own influence. The MNLF has insisted that the government first fully implement the 1996 agreement and then conduct the MILF peace negotiations with the participation of the MNLF and the Organization of the Islamic Conference (OIC).⁵³ The MNLF also has opposed the role of Malaysia in the peace talks; its objections stem from the long standing territorial dispute between the Philippines and Malaysia involving portions of the Malaysian state of Sabah that are located near Sulu.

Mistrust continues to linger between the principal parties to a peace accord. The MILF accuses the central government of long neglecting the Mindanao region economically, encouraging Christian settlement in order to weaken Muslim influence, not implementing the 1996 agreement with the MNLF, and unilaterally backing out of the 2008 Memorandum. Manila remains skeptical of the MILF as a reliable peace partner and of its long-term intentions.

Relations Between the MILF, JI, and Abu Sayyaf

The MILF, whose main objective is autonomy, has denied links with terrorist organizations Abu Sayyaf and Jemaah Islamiyah. However, there are reports that link some MILF units to the terrorist organizations in Mindanao, Sulu, and Basilan. According to Philippine officials, some MILF units continue to shelter Islamist militants from surrounding countries.⁵⁴ The ASG reportedly facilitated the movement of JI from Sulu to MILF camps in western Mindanao and that

⁴⁹ Carl Baker, "Looking Forward in Mindanao," *PacNet #45*, September 4, 2008.

⁵⁰ Simon Roughneen, "Philippine Unease," *Washington Times*, October 30, 2008; Alexis B. Romero and Darwin T. Wee, "New Peace Panel Head a Sign to Restart Stalled Negotiations," *Business World Online*, December 2, 2008; ETM, "Longer Christmas Truce Recommended," *Business World Online*, December 16, 2008.

⁵¹ Jim Gomez, "Philippine Troops Press Assault on Muslim Rebels," *Washington Post*, August 11, 2008.

⁵² "Philippines' MILF Pushes for Sub-State Instead of Independent State: Chief Negotiator," *Xinhua*, September 22, 2010.

⁵³ Zachary Abuza, "Getting the Moro House in Order," *Counterterrorismblog.org*, May 26, 2010.

⁵⁴ "Factbox: The Moro Islamic Liberation Front," *Reuters News*, August 9, 2010.

of the MILF from Mindanao to the MNLF stronghold of Sulu. Furthermore, the MILF reportedly has collaborated with the ASG in bombing efforts, giving them a degree of plausible deniability.⁵⁵ Some analysts argue that some MILF commanders who do not support the peace process are likely to strengthen contacts with the ASG and JI.⁵⁶ Other observers argue that a peace accord may strengthen moderate MILF leaders and marginalize hard line ones.⁵⁷

Communist Party of the Philippines (CPP)

The Communist Party of the Philippines (CPP), long viewed by the government as its principal security threat, has waged a Maoist insurgency since the late 1960s. It is widely reported that over 40,000 people have died in communist-related fighting since 1969. The strength of the CPP's military arm, the New People's Army (NPA), reached over 25,000 in the early 1980s, but declined after President Ferdinand Marcos fell from power and democracy was restored in 1986. In 2010, the Philippine government claimed that about 4,000-5,000 NPA guerillas remained, having been reduced from roughly 7,000 in 2007.⁵⁸ Operating from Mindanao and throughout the country, the NPA has engaged in guerilla attacks against the AFP as well as kidnappings-for-ransom, political assassinations, and other criminal activities. The CPP also has called for attacks on American targets, and in August 2002, the Bush Administration placed the CPP and the NPA on the U.S. list of terrorist organizations. However, the United States does not provide direct military support to the AFP in its war against the NPA.

A government spokesperson stated that rather than focusing on eliminating the NPA by military means, as the Arroyo Administration had done, President Aquino favors crafting a political settlement with the communists. Following talks between the central government and the National Democratic Front of the Philippines, a coalition of communist and leftist organizations, a Christmas ceasefire between the AFP and the NPA went into effect on December 16, 2010, despite an NPA guerrilla ambush on December 14 that killed 10 AFP soldiers. Formal peace negotiations are set to be held in February 2011 in Oslo, Norway.⁵⁹

PH-U.S. Joint Operations Against Abu Sayyaf

The 2001 terrorist attacks in the United States prompted concern over Al Qaeda's links around the world, including the Abu Sayyaf Group in the Philippines. 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 JI on Basilan, Jolo, and Mindanao. In keeping with the Philippine Constitution's ban on foreign combat troops operating inside the country and related sensitivities about Philippine sovereignty, Washington and Manila negotiated special rules of engagement for the

⁵⁵ Zachary Abuza, "The Philippines Chips Away at the Abu Sayyaf Group's Strength," *Combating Terrorism Center CTC Sentinel*, April 2010.

⁵⁶ Jonathan Adams, "Elusive Peace in Mindanao," *Far Eastern Economic Review*, Jan/Feb 2009; Isagani P. Palma, "Military Links MILF to Jemaah Islamiyah," *Manila Times Online*, November 30, 2008.

⁵⁷ Alastair McIndoe, "Philippine Terrorism, Insurgency a Challenge for Aquino," *Time*, June 23, 2010.

⁵⁸ Labog-Javellana, Juliet and Mallari, Delfin T. "AFP: We Can Beat NPA Rebels Without US Help." *Makati City Inquirer.net*, June 29, 2007; Jim Gomez, "Philippines Fails to Meet Deadline to Crush Rebels," *Associated Press*, June 20, 2010.

⁵⁹ "Communist Rebels Positive on Peace Talks with Manila," *BBC Monitoring Asia Pacific*, December 5, 2010; "Manila Plans to Reach Peace Pact with Leftist Rebels within 3 Years," *Xinhua*, December 14, 2010; "Christmas Ceasefire with Communists Begins in Philippines," *Agence France Presse*, December 16, 2010.

joint *Balikatan* exercises. U.S. troops, which arrived on Basilan in January 2002, play a subordinate role; they take direction from Filipino commanders and can use force only to defend themselves or when fired upon. In November 2002, 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.

The U.S. military has provided assistance related to intelligence gathering, operations planning, communications support, and the supply of modern equipment, aimed primarily at Muslim insurgents and, to a lesser extent, the New People's Army. U.S. assistance also has included the evacuation of AFP casualties and the removal of unexploded ordnance. Since the middle of the last decade, on average, roughly 500 JSOTF-P members, including Army Special Forces, Navy SEALs, the Joint Special Operations Air Detachment, Psychological Operations, and others, have advised and assisted two Philippine Regional Combatant Commands in Mindanao and the Sulu archipelago. Since 2002, 11 U.S. soldiers reportedly have died from accidents and bomb attacks.⁶⁰

PH-U.S. joint operations have resulted in a significant diminishing of Abu Sayyaf's strength and presence, reducing its size from approximately 1,000 members to less than 400.⁶¹ The ASG's leadership core reportedly has been reduced by about three-fourths, to about half a dozen who remain at large.⁶² In March 2010, the AFP, with the aid of U.S. intelligence, captured a key ASG camp, one that possibly had harbored JI members, in Jolo.⁶³ Nonetheless, while the ASG poses less of a general security threat and has long lost its religious *raison d'être*, continued political and economic grievances in both MILF and MNLF areas continue to nurture its existence while the group resists eradication.

Non-Military Efforts

PH-U.S. counterterrorism methods include a strong non-military component which has helped to reduce the possibility of driving civilians and insurgents into the ranks of separatist and terrorist groups. This component includes public information campaigns and civil affairs or civic action projects. According to a U.S. military official, 80% of the effort has been "civil-military operations to change the conditions that allow those high-value targets to have a safe haven.... We do that through helping give a better life to the citizens."⁶⁴ Humanitarian and development assistance also has enhanced the legitimacy of the AFP and Philippine government at the expense of Abu Sayyaf, and provided opportunities for Philippine security forces to engage positively with local populations. JSOTF-P reportedly has implemented over 150 construction projects worth \$20 million, created livelihoods for former militants, and directly supported related USAID efforts.⁶⁵

⁶⁰ Philippine Army Chief: No Dramatic Change in Military Ties with U.S. under Obama," *BBC Monitoring Asia Pacific*, January 18, 2009; "U.S. Has No Plans to Set Up Bases in Philippines, Ambassador Says," *Asia World News*, October 4, 2010; David S. Maxwell, "Commander's Summary of the Joint Special Operations Task Force Philippines (JSOTF-P) 2006-07."

⁶¹ Zachary Abuza, *Balik-Terrorism: The Return of the Abu Sayyaf Group*, U.S. Army War College, 2005; Max Boot and Richard Bennet, "Treading Softly in the Philippines," *The Weekly Standard*, January 5-12, 2009. Estimates of Abu Sayyaf's size range from roughly 350 to 500 members in 2009-10. JI has an estimated fewer than 100 members in the Philippines.

⁶² "Philippines Asks Court to Outlaw Abu Sayyaf, Blacklist More Than 200 Militants," *Associated Press*, September 10, 2010; "Filipino Militant's Killing Cripples Abu Sayyaf," *Associated Press*, February 22, 2010.

⁶³ "Abu Sayyaf Camp in Sulu Falls; 4 Dead," *Philippine Daily Inquirer*, March 30, 2010.

⁶⁴ Thom Shanker, "U.S. Military to Stay in Philippines," *New York Times*, August 21, 2009.

⁶⁵ Pia Lee-Bago, "U.S. Envoy Says Abu Sayaff, JI, RSM Weaker Today," *The Philippine Star*, July 3, 2010.

U.S. troops have helped to build roads, water purification installations, farm markets, and piers for fishermen. They have renovated schools, built clinics, and provided medical training and assistance.

The strategy of combining force and development assistance and employing a low-key U.S. presence has met with what some observers deem “impressive success” since the middle of the last decade.⁶⁶ Such accomplishment includes substantially weakening Al Qaeda’s tenuous links in the southern Philippines through reducing the strength of Abu Sayyaf and Jemaah Islamiyah and bolstering security in the region. Civil affairs programs reportedly have helped to win the hearts, minds, and cooperation of local people, and created positive impressions of U.S. troops.⁶⁷ Although the peace process was not a prominent part of the campaigns of the major candidates in the May 2010 presidential elections, some observers expect President Aquino to emphasize economic over military solutions to the long-standing problems in the South.⁶⁸

Critiques of Philippine counterterrorism efforts fall into three categories. According to one view, the AFP continues to wage its wars against insurgents and communists too broadly and without adherence to human rights norms. Counterterrorism efforts thereby have helped to push militants into the terrorist camp while Philippine security forces and their local proxies have committed human rights abuses as part of their campaigns against terrorists and communists.⁶⁹ Other critics advocate a more aggressive or expansive military component, one that may include a more robust U.S. military role in the wars against both Islamist terrorists and the NPA. A third approach places greater emphasis on helping to build the capacity of Philippine institutions, such as the AFP and local governments, as well as civil society groups to effectively carry out military and development efforts by themselves—without U.S. assistance.⁷⁰

Philippines-China Relations

China’s growing political clout, economic importance, and assertiveness regarding disputed territories in Southeast Asia have affected all countries in the region, and the Philippines is no exception. The People’s Republic of China (PRC) also has become a major source of infrastructure financing in Southeast Asia. Some analysts argue that China gained relative influence during the 2000s through diplomatic efforts and offers of development assistance as Washington was perceived as focused narrowly on counterterrorism. Although access to natural resources plays a prominent role in China’s engagement in Southeast Asia, as it does in other areas of the world, strategic objectives likely influence Beijing’s motivations in the region to a greater extent than they do elsewhere.⁷¹ According to some analysts, China’s policy toward the

⁶⁶ Max Boot and Richard Bennet, op. cit.

⁶⁷ Robert Kaplan, “Imperial Grunts,” *The Atlantic*, October 2005.

⁶⁸ Alastair McIndoe, op cit.

⁶⁹ “The Philippines: Counter-Insurgency vs. Counter-Terrorism in Mindanao,” *International Crisis Group, Asia Report No. 152*, May 14, 2008.

⁷⁰ Robert D. Kaplan, op cit.; Adrenne Mong, “U.S. Troops’ Presence in the Philippines Altruistic?” *NBC News*, October 2, 2010.

⁷¹ For further information, see CRS Report R40940, *China’s Assistance and Government-Sponsored Investment Activities in Africa, Latin America, and Southeast Asia*, by Thomas Lum.

Philippines has been aimed partly at forestalling potential U.S.-PH cooperation on security conflicts in the region, including disputes in the South China Sea and the Taiwan Strait.⁷²

During the past decade, Manila began to define its security needs in a more multilateral rather than bilateral or Philippines-U.S. context, and is an active member of the Association of Southeast Asian Nations. The Philippine government has thus pursued a policy of cultivating ties with China, with which the Philippines has a very long history of relations, while maintaining its close bonds with the United States. Manila has welcomed political and economic interaction with China, but continued to rely upon the United States and ASEAN as security and diplomatic counterweights to rising PRC power.⁷³

The Arroyo government's withdrawal of military personnel from Iraq in July 2004 created a temporary chill in Philippines-U.S. relations, while Manila's ties with Beijing became warmer. President Arroyo made several official visits to China, and during her term in office, the PRC became one of the Philippines' biggest trading partners, an important investor in infrastructure, energy, agriculture, and mining, and a key provider of concessional or low-interest loans. China reportedly has become the fifth largest provider of development assistance to the Philippines.⁷⁴ One of the largest development projects funded and carried out by China and Chinese companies is the rehabilitation of the North Rail line, with an original price tag of \$400 million.⁷⁵ In November 2004, Philippine and PRC military officials signed a Memorandum of Understanding on Defense Cooperation, and in May 2005, the two countries signed agreements on defense dialogues and PRC military assistance, including "non-lethal" equipment and training.⁷⁶

Some Philippine lawmakers accused the Arroyo Administration of compromising the country's sovereignty and foreign policy in exchange for PRC loans and other forms of cooperation. In response to criticism, in 2007, President Arroyo cancelled a project in which a Chinese corporation was to build a broadband network. In 2008, the government terminated a joint seismic data gathering effort involving China, and created a special panel to oversee projects funded by PRC money.⁷⁷ However, some analysts contended that the focus of much of the

⁷² Herman Joseph S. Kraft, "The Philippine-U.S. Alliance: A Strategic Partnership in Tactical Mode," Center for Strategic and International Studies, *Southeast Asia Bulletin* (October 2008).

⁷³ Renato Cruz De Castro, "The US-Philippine Alliance: An Evolving Hedge against an Emerging China Challenge," *Contemporary Southeast Asia*, Vol. 31, no. 3 (2009).

⁷⁴ Ernest Bower, "The JMSU: A Tale of Bilateralism and Secrecy in the South China Sea," *Center for Strategic and International Studies*, July 27, 2010.

⁷⁵ The North Rail project is being renegotiated due to "technical and legal" problems. "Government Renegotiating 'Overpriced' Rail Project," *Manila Standard*, October 13, 2010; Walter Lohman, "Off the Rails in the Philippines," Heritage Foundation, *WebMemo no. 1856*, March 14, 2008; Darwin G. Amojelar, "Chinese Loans to RP Rising," *The Manila Times*, December 3, 2007.

⁷⁶ Ian Story, "China and the Philippines: Moving Beyond the South China Sea Dispute," *China Brief*, The Jamestown Foundation, October 25, 2006; Katrice R. Jalbuena, "Ties with PRC, Now Most Important to RP, also Involves Security Matters," *The Manila Times*, June 29, 2008; Renato Cruz De Castro, "China, the Philippines, and U.S. Influence in Asia," *Asian Outlook (AEI Online)*, July 6, 2007.

⁷⁷ The Joint Marine Seismic Undertaking (JMSU), a three-year agreement signed in 2004 and 2005 by Chinese, Philippine, and Vietnamese companies, involved seismic data gathering in the Spratly Islands area in preparation for oil exploration activities. Some Philippine lawmakers protested that the JMSU covered not only disputed territory but also undisputed Philippine islands as well as one island claimed and occupied by Taiwan. Furthermore, other critics argued that the agreement undermined ASEAN efforts to deal with China as a bloc. In 2007, the Arroyo Administration signed a \$329 million contract with ZTE Corporation of China to build a national broadband network linking government units. The Commissions of Elections chairman, Benjamin Abalos, was later accused of bribing Philippine and Chinese officials and a rival Philippine telecom company in exchange for their support of the ZTE deal. Both Abalos and (continued...)

criticism was President Arroyo, political corruption, and the lack of government transparency regarding these deals, rather than engagement with China.

Philippines-PRC relations have improved markedly since 1995, when the PRC Navy detained several Filipino fishermen at Mischief Reef in the disputed Spratly Islands group, and Philippine reconnaissance pilots discovered new, Chinese-built structures nearby that allegedly resembled military facilities. Faced with pressure from ASEAN, China promised to abide by the United Nations Convention on the Law of the Sea, which states that countries with overlapping claims must resolve them by good faith negotiation. In 2002, Beijing and ASEAN signed the Declaration on the Conduct of Parties in the South China Sea, and in 2003, China acceded to the Treaty of Amity and Cooperation with ASEAN, which renounces the use of force and calls for economic and political cooperation.

The period of relative calm regarding territorial disputes has given way to a more contentious one, however. In August 2010, the PRC government reacted angrily in response to Secretary of State Hillary Clinton's remarks, at the ASEAN Regional Forum (ARF) meeting in Hanoi, defending freedom of navigation and the rule of international law in the South China Sea. The PRC has preferred to address territorial disputes in the region in an informal, bilateral manner, and generally has opposed "internationalization" of the issue, including multilateral negotiation and especially U.S. involvement. Chinese officials expressed indignation toward what they perceived as a concerted, U.S.-ASEAN effort to contain China in Southeast Asia. In September 2010, China and ASEAN began talks to formalize a code of conduct regarding territorial disputes. Philippines officials have expressed support for a maritime code of conduct as negotiated through the regional body.⁷⁸

(...continued)

President Arroyo's husband, Mike Arroyo, allegedly received kickbacks from the deal. "Macapagal Sets up Oversight of China Projects," *Financial Times*, September 26, 2008.

⁷⁸ Parties to the disputed territories are: Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam. See "China, ASEAN Working on South China Sea Code: Ambassador," *Reuters*, September 30, 2010; "Aquino to Take On Spratly Issue in ASEAN Summit," *Manila Times*, October 27, 2010.

Selected Legislation on the Philippines in the 111th Congress

H.Con.Res. 153 (Richardson, introduced 6/12/2009) Honoring the 111th anniversary of the independence of the Philippines.

H.Res. 780 (Filer, introduced 9/25/2009, passed 11/2/2009) Recognizing the celebration of Filipino American History Month in October.

S.Res. 298 (Reid, introduced 10/1/2009, passed 10/1/2009) A resolution recognizing Filipino American History Month in October 2009.

H.Res. 800 (Speier, introduced 10/6/2009, passed 10/15/2009) Expressing sympathy for the citizens of the Philippines dealing with Tropical Storm Ketsana and Typhoon Parma.

H.Con.Res. 218 (Berman, introduced 12/8/2009, passed in the Senate 12/18/2009) Expressing sympathy for the 57 civilians who were killed in the southern Philippines on November 23, 2009.

S. 3170/H.R. 3039 (Bond/McDermott, introduced 3/25/2009 and 6/25/2009) Grants duty-free treatment, subject to specified conditions, to certain apparel wholly assembled in the United States or the Philippines, or both, and components of such apparel.

H.Res. 1435 (Djou, introduced 6/14/2010), Expressing the sense of the House of Representatives that the United States should initiate negotiations to enter into a free trade agreement with the Republic of the Philippines.

H.Res. 1548 (Royce, introduced 7/21/2010) Condemning the recent violence against members of the media in the Philippines.

H.Res. 1738 (Burton, introduced 11/29/2010) Expressing condolences to the people and Government of the Republic of China (Taiwan) and the people and Government of the Republic of the Philippines in the aftermath of Super Typhoon Megi which struck in October 2010.

Figure 1. Map of The Philippines



Author Contact Information

Thomas Lum
Specialist in Asian Affairs
tlum@crs.loc.gov, 7-7616