

## STRATEGIC SNAPSHOTS

## SNAPSHOT 7

# Between the Clawing Eagle and Ascendant Dragon: The Demise of the Philippines' Policy of Hedging

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In mid-2010, the Lowy Institute for International Policy released an alarming but well-argued publication regarding the power shift underway in East Asia, *Power and Choice: Asian Security Futures*. The 103-page monograph warns of a regional power shift generated by:

- the rise of China as an economic and military power in the region and,
- growing U.S. focus in Asia in an effort to counterbalance an emergent and potentially competitive China.

*Power and Choice* warns small and medium powers in East Asia of the need to ponder their hedging policies in the light of this shift. They should consider more seriously internal balancing (strengthening their own military capabilities) or external balancing by strengthening existing alliances and security partnerships – advice that is clearly directed at the small and medium powers in Southeast Asia.

A Southeast Asian state that is currently hedging in the present fluid regional security environment is the Philippines. Since 2001, Manila has been engaged in a complicated and delicate pattern of hedging between Washington (its formal treaty ally) and Beijing. Manila has revitalised and strengthened its alliance with Washington primarily to counter domestic insurgencies and international terrorism. Conveniently, it also established an *entente* with Washington's primary competitor and potential rival in East Asia – Beijing. However, *Power and Choice* paints an evolving strategic scenario that complicates the Philippines' hedging strategy. Manila might find itself trapped between two contending great powers engaged in a balance of power competition that will make the hedging strategies of small powers more difficult, costly and uncertain.

## HEDGING AMIDST CHANGE

The Philippines' policy of hedging between the U.S. and China became pronounced when Gloria Macapagal Arroyo assumed power after a military-led mutiny caused the ouster of a sitting president – Joseph Estrada – in January 2001. Ten months later, she announced an ambitious eight-point foreign policy pronouncement entitled 'The Eight Realities of Philippine Foreign Policy', which calls for bold diplomatic gambits of balancing the major powers (United States, Japan, and China) in East Asia against each other to enhance the country's national security goals.<sup>1</sup> This foreign policy pronouncement reflects the Association of Southeast Asian Nations (ASEAN) states' general policy of hedging or balancing between the region's two most powerful states. As a group of small powers with limited military and economic capabilities, the states of Southeast Asia aim to exploit both competition and cooperation among the region's major powers (China, Japan, and the U.S.), thereby maximising their own security and prosperity whilst minimising the likelihood of having to choose between one or the other.<sup>2</sup> The adoption of this policy is based on two assumptions:

1. a recognition of the benefits of 'soft-balancing' – a policy aimed at thwarting an emerging power's revisionist policies by indirectly harnessing the presence and capabilities of the other major powers, i.e. the U.S. and Japan; and
2. the general desirability of maintaining dynamic trade and commercial relations with the region's economic powerhouse – China.<sup>3</sup>

Two systemic developments provided the Philippines an opportunity to better engage the United States and China in a delicate hedging or balancing game: a) the 9/11 terrorist attacks in the United States and the country's participation

in the subsequent war on terror; and b) China's economic emergence, and its efforts to strengthen its economic ties with the ASEAN states thereby making the Chinese economy an important market for Philippine exports.

In the aftermath of its quasi-constitutional seizure of political power in early 2001, the fledgling Arroyo Administration sorely needed American military assistance to strengthen the Philippine military's counter-insurgency and counter-terrorism capabilities. President Arroyo immediately declared her support for Washington's war on terror by offering American forces access to the country's air-space and allowing U.S. Special Forces to conduct training operations with the Armed Forces of the Philippines (AFP) in the southern island of Basilan, home of the Abu Sayyaf Group. For the Arroyo Administration, the urgency of substantially improving the Philippine military's counter-terrorism/counter-insurgency capabilities was the rationale behind heightened political-military ties with the U.S.<sup>4</sup>

Meanwhile, in early 2001, China began expanding its economic ties with the ASEAN countries including the Philippines. Beijing offered the Philippines and other Southeast Asian states, during the 5<sup>th</sup> China-ASEAN summit in November 2001, a free-trade deal that could be established in the next few years. The following year, the two sides signed the Framework Agreement on China-ASEAN Comprehensive Economic Cooperation, paving the way for the formation of a China-ASEAN free-trade zone by 2010. From 2001 to 2006, bilateral trade between the Philippines and China increased by 41 per cent.<sup>5</sup> Consequently, Philippine-China trade has become the fastest-growing bilateral trade relationship in Southeast Asia, making China the Philippines' third-largest trading partner after the United States and Japan.

#### THE DEMISE OF HEDGING

Moderate large-power competition favours small powers as they can set one power against the other, and are able to extract certain economic or political concessions from the major powers without making any serious commitment to either power. Manila's current knack of playing the two major powers against each other is possible because Washington and Beijing have been engrossed in a low-intensity geo-strategic competition in East Asia since the early 21<sup>st</sup> century. The two major powers are engaged in a bidding competition to strengthen their security and economic ties with the Philippines, while at the same time trying to prevent the other power from gaining any long-term strategic foothold in this minor power. Philippine strategic calculations and hard-nose statecraft are facilitated by, but hardly decisive in, this regional power configuration. Manila

is a reactive participant that is simply taking advantage of the two major powers' evolving and potentially dangerous great game in East Asia.<sup>6</sup> Thus, its ability to hedge between the two great powers is contingent on any possible change or shift in Sino-U.S. relations.

Contemporary Sino-U.S. relations, however, are in a state of flux. With its growing economy and increasing political influence, China is beginning to project its naval power well beyond its coastal waters, to oil ports in the Middle East and to the shipping lanes of the Pacific. A 2009 study on the South China Sea dispute observes that '... China has reverted to a more assertive posture in consolidating its jurisdictional claims, expanding its military reach and seeking to undermine the claims of other states through coercive diplomacy.'<sup>7</sup> Consequently, China's increasing naval prowess and assertiveness over its border areas – from Tibet to the South China Sea – are slowly eroding the diplomatic capital it generated during the early part of the 21<sup>st</sup> century.

The rising friction between Beijing and its neighbouring states over territorial disputes is, in turn, providing Washington with the opportunity to reassert American power throughout the region. Currently, the Obama Administration has placed itself in the middle of a long and chronic territorial dispute between China and the Southeast Asian states over the South China Sea. This is part of Washington's overall efforts to ensure access to the vibrant regional economy and to balance China's growing economic and political influence in East Asia.

#### REVIVAL OF THE SPRATLYS IMBROGLIO

Recently, China has become more assertive in its expansive maritime claim in the South China Sea. In March 2009, Chinese naval and fishing vessels harassed the U.S.S. Impeccable which was openly conducting surveying operations in the South China Sea. The following year, China warned the U.S. to respect its extensive claims in the South China Sea. In March 2010, Chinese officials conveyed to two visiting U.S. State Department senior officials that China would not tolerate any U.S. interference in the South China Sea, which it was now considered a 'core interest', on par with Taiwan and Tibet.<sup>8</sup> This increasing assertiveness is backed by the People's Liberation Army Navy's (PLAN) growing fleet of Russian-made diesel-electric Kilo-class submarines and Sovremenny-class destroyers, along with several types of indigenously built destroyers, frigates, and nuclear-powered attack submarines. In early August 2010, it sent a clear belligerent signal to the littoral states and the U.S. that China's claim to sovereignty over the sea and its islands are 'indisputable' as it conducted a sea-land-air live-fire exercise in the South China Sea.<sup>9</sup>

China's increasing assertiveness in the South China Sea has consequently caught the attention of the U.S.-Philippine Mutual Defence Board (MDB), the body that provides direct liaison and consultation between Manila and Washington with regard to their mutual defence against external threats. During the 18 August 2010 MDB annual meeting, both sides discussed the security challenges that they faced, such as terrorism, domestic insurgency, and maritime security concerns, as well as potential flashpoints like the longstanding and contentious territorial dispute in the South China Sea.<sup>10</sup> The two governments then agreed to complement each other's military capabilities in order to develop inter-operability between their armed services, and to enhance the AFP's territorial defence capabilities with valuable U.S. security assistance.<sup>11</sup>

Despite China's growing diplomatic and economic influence on the Philippines, U.S. officials still consider the country as a vital link in regional security, and strategically relevant to America's rapidly evolving security objectives of balancing China's growing power in East Asia. Eventually, Manila will realise that its hedging gambit will be constrained by the fact that it is still a formal treaty ally of Washington. Implicitly, Philippine bilateral relations with the U.S. will be more pronounced, more enduring, and more intense than its bilateral ties with China. Since 2001, the U.S. has provided its ally with substantial military resources and technology to upgrade its military infrastructure so that it can be integrated easily into the U.S. strategic posture in East Asia. In the near future, Manila might face the prospect of playing a passive role in the possible balancing of China in the case of major fallout in Sino-American relations.

## CONCLUSION

The Philippines has been playing the diplomatic game of hedging or balancing both the U.S. and China. Its hedging game, however, is in a precarious state as systemic forces are slowly making this already difficult balance harder to sustain. The Philippines' generally passive role in this triangular relationship, the current dynamics in U.S.-China relations, China's growing assertiveness with regard to its maritime claims in the South China Sea, Washington's efforts to balance Beijing's increasing political clout, and Manila's slow drift to a closer security relationship with Washington in the face of increasing regional tensions – these are all gradually undermining the benign circumstances in which Manila has been able to maintain some degree of equidistance between the United States and China in East Asia. Sooner or later, the Philippines must recognise the need, as the authors of *Power and Choice* recommend, for ‘...being prepared to balance against dangerous changes in the distribution of power, whether through internal balancing or external balancing of strengthening and forming alliances and partnership.’<sup>12</sup>

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## NOTES

- <sup>1</sup> President Gloria Macapagal-Arroyo. The President's Night. Manila Overseas Press Club, Manila, 6 August 2004.
- <sup>2</sup> Chien-Peng Chung, Southeast Asia's 'hedging' relationship with major powers of the Asia-Pacific, in *Seeking alternate perspectives of Southeast Asia*, ed. Andrew TH Tan, Michael LR Smith, and Dato Khoo Kay Kim. Ipoh, Perak Academy, 2004.
- <sup>3</sup> Steve Chan, Failing to balance against China: a pivotal case in reverse. *Tamkang Journal of International Affairs* XIII (IV) 2010.
- <sup>4</sup> Ben Reid, Bush and the Philippines after September 11: hegemony, mutual opportunism and democratic retreat, in *Bush and Asia: America's evolving relations with East Asia*, ed. Mark Beeson. New York, Routledge, 2006.
- <sup>5</sup> Office of Asia Pacific Affairs, *R. P. - China trade*. Pasay City, Department of Foreign Affairs, 2007.
- <sup>6</sup> This was confirmed to the author by a ranking Filipino diplomat who admitted that key Filipino decision-makers are simply not aware of the ongoing power dynamics in the region and that they do not have a long-term diplomatic strategy for how the Philippines can manage its ad hoc policy of balancing between China and the United States. Interviewed in Pasay City, 25 July 2008.
- <sup>7</sup> Clive Schofield and Ian Storey, *The South China Sea dispute: increasing stakes and rising tension*. Washington DC, The Jamestown Foundation, November, 2009.
- <sup>8</sup> Edward Wong, China asserts role as a naval power. *International Herald Tribune*, 23 April 2010.
- <sup>9</sup> Barry Wain, Chinese diplomacy off course. *Wall Street Journal*, 5 August 2010.
- <sup>10</sup> Interview with mid-level officers of the AFP, Pasay City, 17 September 2010.
- <sup>11</sup> Ibid.
- <sup>12</sup> Malcolm Cook, Raoul Heinrichs, Rory Medcalf and Andrew Shearer, *Power and choice: Asian security futures*. Sydney, Lowy Institute for International Policy, 2010.

## ABOUT THE PROJECT

The Lowy Institute's MacArthur Asia Security Project explores evolving strategic relations among Asia's major powers. Based on a realistic understanding of the region's competitive dynamics in a range of key domains, the Project aims to develop a practical agenda for security cooperation across Asia and a suite of measures to ensure that competition does not lead to miscalculation or conflict.

## ABOUT THE AUTHOR

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