

UPDATE

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SUBIC BAY: HOW BUSH CAN TURN A FORMER MILITARY ASSET INTO A FUTURE ECONOMIC ASSET

(Updating Asian Studies Center *Backgrounder* No. 109, "Last Chance for the U.S.-Philippine Alliance," October 23, 1990.)

After telling the United States last December 27 that it has one year to leave its last military base in her country, Philippine President Corazon Aquino now wants another favor. She is asking the U.S. to delay the departure of two large U.S. Navy floating drydocks from Subic Bay, due to leave next month. She apparently hopes that the drydocks, which are used to repair large ships, will make Subic more attractive to American investors interested in turning the former U.S. naval base into a center for trade and industrial development.

For sure, Washington owes Aquino no favors. America is justified in being angry at her for her failure to defend the August 1991 bases treaty and her subsequent failure even to allow the U.S. a more graceful three-year withdrawal from Subic. Yet despite Washington's justifiable anger, the Bush Administration should consider favorably Aquino's request. What is in it for America is America's long-term influence in Asia. No more than a speck of vision is needed to see that Subic could become a hub of American commercial activity in Southeast Asia. But for this to happen, Washington should be ready to help American investors such as the Perot Group, headed by Ross Perot, who are interested in assuming control of some of Subic's impressive facilities.

The Bush Administration thus should delay the departure of its drydocks in Subic until next November. This will give more time for American investors to lease or purchase the drydocks. These drydocks will make Subic's shipyard much more attractive to U.S. investors by increasing the number of large commercial ships that can be repaired, thus increasing Subic's competitiveness with other shipyards in the region. In addition, the U.S. Navy should delay the transfer of such equipment as radars and air traffic control consoles necessary for Cubi Point Air Station to function as a commercial air field. This will allow the U.S. to turn a military asset of the past into an economic asset of the future.

Assisting the transformation of Subic could benefit Americans economically. The U.S. Navy appears to have no pressing need for the drydocks for the next six months. The cost of the delay is far less than the investment opportunities Americans stand to lose to Japan's Kawasaki Heavy Industries, or Singapore's Keppel Co., both of which are proposing to acquire Subic's ship repair facilities.

The Navy should consider its self interest: increasing opportunities for American commerce in Asia also will help justify a continued U.S. Navy presence in Asia to protect that commerce. In addition, Subic still will be able to offer the Navy the advantage of low wage rates, compared to

Singapore or Japan, for a highly skilled work force with generations of experience repairing U.S. Navy ships. With drydocks, Subic will remain capable of servicing U.S. ships at great savings to the Navy. Yet, to date the Administration has shown little interest in helping U.S. companies. Instead, beginning June 1, the Navy plans to fire about 4,500 Subic workers. This skilled work force then will soon disperse.

Delaying the transfer of the drydocks until November also will give the Philippine government, which will be elected on May 11, time to decide whether it wants to rebuild a military relationship that will allow for continued U.S. access to Philippine bases. By supporting the transfer of Subic's facilities to American investors, Manila will be signaling its interest in rebuilding military relations with Washington. So far, front-running presidential candidates like Ramon Mitra and Fidel Ramos say that they are interested in repairing U.S.-Philippine ties. Such a new military relationship could be built around the 1951 U.S.-Philippine Mutual Defense Treaty. Instead of permanent bases in the Philippines, periodic access to bases during crises could help the U.S. respond more effectively to potential threats on the Korean Peninsula and elsewhere in the region.

A similar relationship based on U.S. access and cooperation is being established with Singapore. By using the Singapore arrangement as a model for military relationships with the Philippines and other countries in Southeast Asia, the U.S. can help preserve stability in Asia. Asia remains a volatile place where the end of the Cold War has unmasked long-dormant ethnic and nationalist rivalries.

The most important security question for the U.S. in Asia is the role of Japan. Washington needs to make sure that Japan does not again become a military power. The best way in which the U.S. can prevent this is to envelop Japan in a web of U.S.-led military relationships that promote peace in Asia. A reconstituted U.S.-Philippine strategic relationship should be part of this web.

The privatization of Navy ship repair facilities at Subic advances the goal of rebuilding the relationship between Washington and Manila by helping American investors and Filipino workers alike. The U.S. Navy, moreover, would benefit from continued, albeit decreased, access to a strategically located repair and maintenance facility. And in the long run, hopes for a renewed military relationship between Washington and Manila would be kept alive. These possible benefits far outweigh the negligible costs of delaying by six months the departure of the U.S. Navy's two drydocks from the Philippines.

Richard D. Fisher, Jr.
Policy Analyst