

Background

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Empowering a New Era in the United States–Philippines Security Alliance

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Abstract: *The Philippines occupies a strategic location on the edge of China’s “first island chain of defense” and has been subjected to persistent and assertive Chinese claims to disputed territory in the South China Sea. These Chinese claims threaten not only the Philippines and the other claimants to the territory, but also the ability of the U.S. to conduct naval operations in open seas and, ultimately, the security of the sea-lanes through which much of the world’s trade passes. To manage growing Chinese power, the U.S. needs a reliable, adequately equipped, like-minded partner on the South China Sea. The Philippines needs American leadership and assistance to fully develop its capacity for territorial defense. To protect both U.S. and Philippine interests in the region, the U.S. should assist the Philippines in building a credible ability to support its sovereign claims.*

The South China Sea is rapidly emerging as a key venue for managing China’s rise as a global power. At stake is no less than freedom of navigation and the U.S. security predominance that has served the Western Pacific region so well for more than 60 years. The Philippines shares these interests but has another much closer to home: countering persistent and assertive Chinese claims to disputed territory in the Spratly Islands.

U.S. and Philippine interests in the South China Sea neatly coincide. The U.S. requires a like-minded partner on the South China Sea and has a natural one in the Philippines, its oldest treaty ally in Asia. The

Talking Points

- The Philippines occupies a key strategic location on the edge of China’s “first island chain of defense,” an area delineating China’s area of greatest maritime interest and encompassing its expansive territorial claims in the South China Sea.
- The Chinese claims threaten freedom of navigation through those seas, U.S. Navy operations, and the Philippines, which has conflicting territorial claims.
- The Philippines is ill equipped to assert a credible defense of its territorial claims or to contribute to the security of international waterways.
- The U.S. should assist the Philippines in developing its capacity for territorial defense even as it continues to help it fight internal insurgencies.
- The U.S. should intensify its diplomatic and military engagement with Manila to impress upon its ally and the region that the U.S. will remain a Pacific power and the Philippines’ principal strategic ally far into the future.

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Philippines, for its part, needs American leadership and assistance in developing its wholly inadequate capacity for territorial defense. Their coincident needs and interests should serve to empower a new era in the security alliance.

Strategic Context

The Philippines occupies a strategic location on the edge of China's "first island chain of defense," an area of China's greatest maritime interest and encompassing the vast majority of the South China Sea. China claims that control of this international waterway is essential to its security. Not incidentally, the same defensive line roughly tracks Chinese sovereign territorial claims, including several islands under Philippine administration.

The expansive Chinese claims threaten not only the Philippines and the other four claimants to the territory, but also the ability of the U.S. to conduct naval operations in open seas and, ultimately, the security of the sea-lanes through which much of the world's trade passes. In March 2009, China vividly illustrated the threat by harassing the USNS *Impeccable* with a frigate, surveillance aircraft, and five other Chinese-flagged ships, including a Bureau of Maritime Fisheries "patrol vessel."¹ The *Impeccable* was operating in the exclusive economic zone claimed by China, where the U.S. maintains that its rights and freedoms are "qualitatively and quantita-

tively the same as those rights and freedoms applicable on the high seas."²

The Chinese believe otherwise. They have an imaginative reading of international law and are increasingly prepared to physically assert their understanding of it. Following the clash with *Impeccable*, they dispatched one of their largest patrol boats to the Spratlys to demonstrate China's "indisputable sovereignty over the islands of the South China Sea and their adjacent waters"³—a formulation already familiar to the Philippines.⁴ In March

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2010, Chinese officials conveyed to two visiting senior officials of the Obama Administration that China would not tolerate any U.S. interference in the South China Sea because it is "now part of China's 'core interest' of sovereignty...on par with Taiwan and Tibet..."⁵

The U.S. has long refrained from taking sides in sovereignty disputes in the South China Sea. This is as it should be. Beyond pointing out that the Chinese claims are entirely unreasonable in scope and

1. CNN, "Pentagon Says Chinese Vessels Harassed U.S. Ship," March 9, 2009, at <http://www.cnn.com/2009/POLITICS/03/09/us.navy.china/index.html> (June 17, 2010), and Tony Capaccio, "Chinese Vessels Harass U.S. Navy Ship, Pentagon Says," Bloomberg, March 9, 2009, at <http://www.bloomberg.com/apps/news?pid=20601080&sid=aUMS9YLJ2OmM&refer=asia> (June 17, 2010).
2. Robert Scher, "China's Activities in Southeast Asia and the Implications for U.S. Interests," testimony before the U.S.–China Economic and Security Review Commission, February 4, 2010, at http://www.uscc.gov/hearings/2010hearings/written_testimonies/10_02_04_wrt/10_02_04_scher_statement.pdf (June 17, 2010).
3. Embassy of the People's Republic of China in the United States of America, "China Stresses Fishery Vessel on 'Routine Mission' in South China Sea," Xinhua, March 17, 2009, at <http://www.china-embassy.org/eng/zt/xw/t542994.htm> (June 17, 2010). See also Ian Storey, "Impeccable Affair and Renewed Rivalry in the South China Sea," Jamestown Foundation *China Brief*, April 30, 2009, at [http://www.jamestown.org/programs/chinabrief/single?tx_ttnews\[tt_news\]=34922](http://www.jamestown.org/programs/chinabrief/single?tx_ttnews[tt_news]=34922) (June 17, 2010), and Lan Tian "Fishery Patrol Ship Sent to Protect Interests," *China Daily*, March 16, 2009, at http://www.chinadaily.com.cn/china/2009-03/16/content_7580785.htm (June 17, 2010).
4. Walter Lohman, "Spratly Islands: The Challenge to U.S. Leadership in the South China Sea." Heritage Foundation *WebMemo* No. 2313, February 26, 2009, at <http://www.heritage.org/Research/Reports/2009/02/Spratly-Islands-The-Challenge-to-US-Leadership-in-the-South-China-Sea> (June 17, 2010).
5. Edward Wong, "Chinese Military Seeks to Extend Its Naval Power," *The New York Times*, April 23, 2010, at <http://www.nytimes.com/2010/04/24/world/asia/24navy.html> (June 17, 2010).

based on an extraordinary, selective reading of international law, taking a positive position on the side of any single claim would insert the U.S. into a complex web of regional disputes beyond the China–Philippines disagreement. That would complicate America’s relations with other parties important to the conduct of its foreign policy.

However, by virtue of the 1951 U.S.–Philippines Mutual Defense Treaty, the United States and the Philippines can work together to develop the Philippines’ capacity to offer a credible defense of its claims in the face of China’s assertiveness and to support the United States and its other allies in defending the freedom of navigation.

Philippine Territorial Defense

Almost two decades after U.S. forces withdrew from the Philippines, an intense focus on internal security and the lack of resources have taken their toll on the conventional military capabilities of the Armed Forces of the Philippines (AFP), particularly air defense and sea-control networks and the AFP’s ability to operate with other armed forces. The AFP’s weapons inventory consists primarily of light tanks, light and medium towed artillery, coastal and inshore patrol vessels, amphibious ships, various landing craft for inter-island transport, fixed-wing trainers that double as ground-attack aircraft, and transport and attack helicopters.⁶ The AFP has had no dedicated, proper fighter aircraft since it decommissioned the last of its 40-year-old F-5s in 2005. Most of its equipment was designed and made in the U.S. and acquired through the Military Assistance Program (MAP) and the Foreign Military Sales (FMS) credit.

This state of AFP affairs was not always a foregone conclusion. In the immediate post–Cold War era, the AFP had planned to acquire the necessary naval and aerial materiel to defend the Philippines against external threats and to develop limited capabilities to project power into the South China Sea. During this period, the AFP planned an ambitious force modernization pro-

gram to transform the Philippine military into a conventional armed force comparable to most Southeast Asian militaries. This was the result of three major strategic developments:

- The Philippine Senate’s rejection of the Philippine–U.S. Treaty of Friendship, Peace and Cooperation, which led to the withdrawal of American military forces from the country, including from Clark Air Base and the Subic Bay Naval Station;
- The decline of the Communist insurgency; and
- The Philippines’ territorial claims over islands in the Spratlys.

During the Cold War, the U.S., with its military facilities in the Philippines, had provided vital deterrence against potential external threats to the country. American forward-deployed forces in the Philippines served the military functions that the AFP could not perform adequately itself. These functions included providing 24-hour air defense and patrolling the country’s vast maritime boundaries. With the withdrawal of American forces and facilities from the country in 1992, the AFP assumed the primary responsibility for external defense,⁷ relying solely on the annual defense appropriation for funding.

During the Cold War, the U.S., with its military facilities in the Philippines, had provided vital deterrence against potential external threats to the country.

By the early 1990s, the AFP had halted the expansion of the Communist movement. This enabled the AFP to scale down its counterinsurgency operations and transfer primary responsibility for internal security operations (ISO) to the newly established and inexperienced Philippine National Police. The AFP deactivated its village-based territorial defense systems, suspended military operations, and prepared for its post-insurgency role of being a conventional armed force,

6. International Institute for Strategic Studies, *The Military Balance 2010* (London: Routledge, 2010), pp. 423–424.

7. See Renato Cruz De Castro, “Adjusting to the Post-U.S. Bases Era: The Ordeal of the Philippine Military’s Modernization Program,” *Armed Forces and Society*, Vol. 26, No. 1 (Fall 1999), pp. 117–137.

assuming that the insurgency problem would be reduced to a police or law-enforcement matter.⁸

This enabled the AFP to focus on developing a conventional military capability to apply to the territorial dispute with the Chinese. The Philippine military began to plan and develop its external defense capabilities and projected the acquisition of multirole fighter planes, offshore patrol vessels, long-range maritime patrol craft, naval multirole helicopters, coastal patrol boats, and a naval missile system.⁹ In early 1995, as China was building installations and a helicopter pad on Mischief Reef, the Philippine government passed the AFP modernization law to address the long-term needs of external defense.

However, the Philippine Congress used its “power of the purse” to micromanage and delay implementation of the modernization program until it was temporarily shelved because of the Asian financial crisis in 1997.¹⁰ These developments forced the AFP and the Philippine Department of National Defense (DND) to address the legal, administrative, and financial issues of the modernization program.¹¹

Further complicating matters, the Communist movement experienced a revival in the late 1990s. Its armed membership swelled from 4,541 in 1995 to a high of 10,238 in 2001 with the number of rebel firearms increasing from 4,580 in 1995 to 6,409 in 2001.¹² At the start of the 21st century, party cadres and Communist insurgents consolidated their 95 guerrilla fronts and intensified their

recruitment and politico–military activities, especially mass actions in the urban areas and armed struggle in the rural areas. In 1998, the Philippine Congress passed Republic Act 8551, which transferred the responsibility for counterinsurgency away from the Philippine National Police back to the AFP. In 2000, a series of armed clashes with the secessionist Moro Islamic Liberation Front further complicated domestic security, forcing the AFP to focus even more on internal security at the expense of external defense.¹³

The effort to fill the void left by the American departure from Clark Air Base and Subic Bay Naval Station and to establish an indigenous capacity to protect Philippine interests in the South China Sea disappeared before it ever had a chance to begin.

A Single-Minded Focus on Internal Security

Alarmed by the Communist resurgence and the persistent growth of the secessionist movement in Mindanao in the early years of the 21st century, the government channeled all of its attention and resources into domestic security concerns. In June 2001, President Gloria Macapagal Arroyo issued an executive order creating the Cabinet Oversight Committee on Internal Security.¹⁴ The committee eventually drafted the National Internal Security Plan (NISP), which prescribes the general political framework and policy guidelines for coordination, integration, and acceleration of all government actions on domestic insurgencies.

8. See Republic of the Philippines, Department of National Defense, *Annual Report 1997*, pp. 10–20.

9. *Ibid.*, p. 6.

10. This can be grasped from Senate hearings and proceedings of the AFP Modernization Program. See Armed Forces of the Philippines, General Headquarters, Liaison Office, “AFP Modernization Act,” November 1996.

11. Armed Forces of the Philippines, General Headquarters, Modernization Program Management Office, “Moving On: Annual Accomplishment Report 2007,” p. 5, at <http://www.afpmodernization.mil.ph/annual/afpmp-annualrpt07.pdf> (June 17, 2010).

12. Raymond G. Quilop, Darwin Moya, and Czarina Ordinario-Ducusin, “Putting an End to Insurgency: An Assessment of the AFP’s Internal Security Operations,” Armed Forces of the Philippines, Office of Strategic and Special Studies, 2007, pp. 9–10.

13. Armed Forces of the Philippines, General Headquarters, Capability Upgrade Board, “Annual Accomplishment Report 2007,” 2008, p. 5.

14. Gloria Macapagal Arroyo, “A Coordinative and Integrative System on Internal Security,” Executive Order No. 21, June 19, 2001, at <http://www.glin.gov/download.action?fulltextId=54058&documentId=83643> (June 23, 2010).

The NISP commits the entire government machinery to eliminating the root causes of the insurgencies and neutralizing the insurgents by applying the “strategy of holistic approach.”¹⁵ This strategy maximizes the use of grassroots intelligence, requires intensive coordination of all policies and actions at all government levels, and promotes an active government–civil society partnership. More significantly, the AFP is tasked with spearheading this campaign against the Communist and secessionist insurgencies.¹⁶ In operational terms, this means that the AFP will formulate the necessary plans for national security and will take the lead role of advising other government agencies on the security situation in areas controlled or influenced by the insurgents.

Thus, the AFP formulated and released its 2001 National Military Strategy,¹⁷ which details the AFP’s priorities and plans for the early 21st century. It calls for “a focus-and-contain” policy against existing threats to the country. This translates into defining priority defense objectives or identifying primary security threats while containing others. This also suggests concentrating limited government resources and attention in areas where they will have the greatest impact rather than spreading them thinly across all areas, thereby rendering their effect negligible or inconsequential.¹⁸ The document specifies that the most dangerous internal threats to national security are the local Communist movement, the southern Philippine secessionist groups, and the terrorist Abu Sayyaf Group.¹⁹

In January 2002, the AFP released Bantay Laya (Freedom Watch), an internal security operation (ISO) plan that provides the AFP with a road map to contain the insurgency within the NISP framework. It envisions the AFP decisively defeating the armed component of the Communist insurgency within

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five years. However, this timetable was derailed by the AFP’s operations against the Abu Sayyaf Group at the start of the new century. Thus, the ISO was revised to state that once the Abu Sayyaf Group is eradicated, the AFP will redeploy its resources to reduce the Communists’ strength in manpower and firearms, reduce the number of Communist-influenced communities, and dismantle the insurgents’ political–military structure.²⁰ The 2006 ISO, the most recent ISO, aims to defeat the Communists by 2010.

As for external threats, the AFP no longer had the time, attention, or funds to develop a credible air and maritime deterrent against China’s creeping occupation of the Spratly Islands, and it no longer had the massive American bases. The Philippine government was left to accommodate diplomatic and security ventures with China and other claimant states by fostering confidence-building ventures and forging bilateral military cooperation agreements for joint patrols and exercises.²¹ The Philippine government and the AFP had no other choice but to hope that these joint undertakings would reduce the prospect of armed clashes among the claimant states and foster good relations among them.

The U.S. Back in the Picture

Until 1992, the U.S. had provided substantial financial, equipment, and logistical support to the Philippine military as part of the bases’ compensation package. The importance of such assistance, especially in capital procurement and supply of mil-

15. Romulo Yap, “A Review of the Government’s Counter-Insurgency Strategies,” National Defense College of the Philippines *National Security Review*, August 2007, p. 36.

16. *Ibid.*, p. 37.

17. Armed Forces of the Philippines, “National Military Strategy,” 2001.

18. *Ibid.*, pp. 20–21.

19. *Ibid.*, p. 16.

20. Yap, “A Review of the Government’s Counter-Insurgency Strategies,” p. 36.

itary equipment, cannot be overstated. When U.S. military aid dried up after the U.S. withdrawal, the AFP was unprepared for the consequences. With nearly 80 percent of the defense budget allotted to personnel costs,²² the Philippine government could not replace Washington's annual \$200 million contribution, 67 percent of which went to AFP acquisition and maintenance costs. Worse, without any experience in military procurement, the AFP did not know how to acquire equipment from the international arms market.

The Philippine military candidly admitted that it could not meet its self-imposed target arms deals. It failed to use the PHP 5.484 billion (\$137 million) earned from the sale of one of its military camps because it lacked experience and knowledge in conducting large-scale arms bids involving foreign components.²³ Thus, for almost a decade after the U.S. security assistance programs ended, the AFP command experimented with untested procedures for the review, analysis, and evaluation of the technical, financial, and counter-trade aspects of international arms acquisition.²⁴

After the 9/11 terrorist attacks in the U.S. and the subsequent formation of a U.S.-led coalition in the war on terrorism, Philippine-American security relations improved dramatically. In short order, the AFP was granted access to the U.S. military's excess defense articles. More important, it participated in several large-scale training exercises with American

forces. From 2002 to 2004, the U.S. provided the AFP with a C-13 transport aircraft, two *Point*-class cutters, a *Cyclone*-class special-forces landing craft, 28 UH-1H Huey helicopters, and 30,000 M-16 assault rifles.²⁵ Training exercises between the AFP and U.S. Armed Forces were generally focused on counterinsurgency and counterterrorism warfare, logistics and equipment maintenance, intelligence training, and civil-military operations. The U.S. also agreed to train three light reaction companies that would form the AFP's 1st Special Forces Group.

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Aside from providing military equipment and training to the AFP, the U.S. and the Philippines established the Joint Defense Agreement (JDA). Convened from 1999–2003, the JDA focused U.S. defense assistance on institutional reforms in the AFP. It also provided for continuous and significant American involvement in monitoring their implementation by the DND. The JDA found systemic failures in defense policy planning and development, personnel management, leadership, budgeting, resource management, and acquisition. It faulted DND for not using a multi-year planning

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21. For a candid admission of the AFP's inability to protect the Philippine territorial claim in the Spratlys, see Rey Ardo, "The Military Dimension of National Security," in Jose G. Quilop, ed., *Peace and Development Towards Ending Insurgency* (Quezon City, Philippines: Office of Strategic and Special Studies, 2007), pp. 16–17. Since 2005, China has proposed, through the Association of Southeast Asian Nations (ASEAN), the idea of moving defense cooperation from simple naval port calls to bilateral naval exercises. This move—part of China's active military engagement with Southeast Asian states through joint military exercises, leading to multilateral security activities—signals that the U.S. military can expect heightened competition for influence among the ASEAN states. See Robert Karniol, "China Seeks Joint Exercise with ASEAN Countries," *Jane's Defence Weekly*, April 25, 2007, p. 14.
 22. U.S. Department of Defense, "Report of the U.S.–Philippines Joint Assessment," April 23, 2001, p. 46.
 23. Armed Forces of the Philippines, Modernization Board, "The AFP Modernization Program: 2001 Annual Report," Office of Deputy Chief of Staff for Capability, Material and Technology Development, 2002, p. 6.
 24. During the mid-1990s, the AFP tried to apply the highly legalistic and unproven procedure provided by the AFP modernization law (Republic Act No. 7898). This caused a number of reputable arms manufacturers to withdraw from the bidding process due to the law's numerous legalistic and documentary requirements. For an interesting account of how the AFP handled the details of international arms acquisition, see Armed Forces of the Philippines, "Modernization Program Primer," 1998.
 25. Business Monitor International, "The Philippine Defense and Security Report Q2 2006," 2006, p. 25.

and budgeting system and stressed the need to increase defense and modernization spending if the AFP wants to build the capabilities required by the national defense strategy.²⁶

The JDA proposed several key reform programs for the DND and the AFP:

- Increasing the overall defense budget while reducing personnel costs from 80 percent to 50 percent of the defense budget;
- Implementing a DND-led multi-year defense budget process;
- Institutionalizing a comprehensive defense review to examine defense strategy, force structure, modernization plans, infrastructure, and defense budget to ensure that they are directed to the challenges and opportunities facing the defense establishment; and
- Developing a long-term (through 2020) AFP modernization, periodically revised as part of the country's comprehensive defense review.²⁷

During the October 2003 state visit to the Philippines, President George W. Bush and President Gloria Macapagal Arroyo agreed to review and endorse the JDA's findings on the AFP's military capabilities and reform requirements. They likewise recommended that their respective defense departments embark on a multi-year plan to implement the report's key policy recommendations. This led to the formulation of the Philippine Defense Reform Program (PDR) and the AFP's Capability Upgrade Program (CUP).

The PDR, a broad-based, multi-year cooperative defense undertaking to identify and rectify systemic strategic and operational deficiencies of the Philippine military, is the centerpiece of U.S. security engagement with the Philippines. It provides the "software" for the reforms in the Philippine defense establishment, while the CUP is the "hardware" and the operational art. The PDR is primarily based on the JDA's findings and recommendations to foster

institutional, individual, and professional competence in managing defense resources. The PDR aims to effect a system-wide reform in the defense establishment's relationships with the executive and legislative agencies and offices and with the private sector.²⁸

The PDR directs the DND and the AFP to address 10 priority areas ranging from defense planning and operational management to capability upgrades to the adoption of information management in the defense organization. To implement the PDR, the DND focuses on four major thrusts:

1. Infusing into the defense establishment "best practices," including civilianization of the department and the hiring of subject-matter experts to provide knowledge, competence, and expertise in carrying out reforms in the defense department;
2. Restructuring and rationalizing the Philippine defense organization by limiting the assignment of military personnel in the department;
3. Addressing inefficiencies and corruption in the AFP by devising a system of financial checks and balances within the military's financial process; and
4. Discouraging military intervention in politics by implementing the Davide and Feliciano Commissions' recommendations and other reform initiatives in response to legitimate grievances aired during military mutinies.

The CUP is designed to improve and maximize the AFP's operational capacity as a military organization. More realistic than earlier AFP reform efforts, it takes into account the defense establishment's resource constraints and the Philippine military's disproportionate, if necessary, focus on internal security.

The CUP encompasses the AFP's long-term goal to develop its external defense capability in consonance with the concept of "retooling the force" as

26. *Ibid.*, p. 45.

27. *Ibid.*, pp. 50–51.

28. See Segundo Romero, "Enhancing Project Management Capacity for National Security: Challenges and Prospects," National Defense College of the Philippines *National Security Review*, August 2007, pp. 11–22.

stipulated in the 2001 National Military Strategy.²⁹ The program stipulates an 18-year defense acquisition and resource management period divided into three six-year phases:

1. First phase (2006–2011): acquisition and upgrade of equipment for enhancing the AFP's conduct of ISO.
2. Second phase (2012–2018): the transition phase from ISO capability-building to territorial defense.
3. Third phase (2019–2024): acquisition geared to territorial defense and peacekeeping operations.³⁰

Starting in 2006, the AFP plans to spend PHP 5 billion (\$125 million) annually on equipment upgrades and acquisitions. In the first phase of the upgrade program, the AFP intends to restore at least 70 percent of its critical capabilities to conduct effective counterinsurgency operations. These capabilities include C4ISR (command, control, computers, communications, intelligence, surveillance, and reconnaissance); mobility; firepower; and combat support. These capabilities are prioritized to increase the survival rate of frontline troops, thus significantly improving internal security operations. The CUP's list now includes the acquisition of squad automatic weapons, HF/SSB Manpack Transceivers, armored recovery vehicles, Patrol Killer craft, and night-fighting equipment and upgrades and repair of BN Islander, OV-10 fixed-wing reconnaissance planes, *Jacinto*-class patrol craft, F-27-500 patrol aircraft, UH-1 helicopters, and V-150 armor fighting vehicles. Because first-phase projects emphasize developing the AFP's internal security capability, they focus mainly on providing equipment to the army at the expense of Philippine Air Force (PAF) and Philippine Navy (PN) needs.

The military establishment decided to shorten the initial six-year acquisition program (2006–2011) to three years (2006–2008) so that it could fast-track purchases of this badly needed equip-

ment. In 2007, President Arroyo approved an additional PHP 10 billion (\$200 million) to acquire six refurbished UH-1H helicopters, 20 upgraded MD-520MG Defender attack helicopters, and a number of fast patrol craft for river operations.³¹

A Long Way to Go

Renewed U.S. assistance has greatly strengthened the Philippines in its battle against insurgency, particularly in the South. From 2001 to 2008, the U.S. provided a total of \$1.343 billion in Foreign Military Sales that the AFP used to procure defense equipment, training, and services. Through the U.S. government's Excess Defense Articles program, the PAF acquired six refurbished UH-1 helicopters in 2006. Moreover, the Pentagon has established tem-

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porary and small forward operating bases in southern Philippines and has developed potential cooperative security locations in the strategic parts of the country that can be used by American forces in any security crisis in East Asia.

Current big-ticket American security assistance to its oldest ally in Asia is the funding of the Coast Watch South (CWS) project in southern Philippines. This project involves the installation of listening and communication stations along the coast of Mindanao linked to PAF aircraft and PN patrol craft operating in the Sulu and Sulawesi Seas.

Yet even with renewed U.S. commitment after 2001, the AFP's overall combat capability has not recovered from its decline in the 1990s. Much of its aging and nearly obsolete military equipment, dependent on U.S. military assistance for maintenance and repairs, became unserviceable or was cannibalized for parts and to reduce maintenance costs.

29. Ardo, "The Military Dimension of National Security," p. 16.

30. National Defense College of the Philippines, Office of Plans and Program, Capabilities and Weapons System Division, "The AFP Capability Upgrade Program," February 28, 2007, p. 2.

31. Raymond Quilop, "Manila Commits Extra Defense Cash to Combat Insurgency," *Jane's Defence Weekly*, January 17, 2007, p. 16.

The September 2007 AFP Capability Assessment provides a thorough analysis of the AFP's deteriorating materiel and combat capabilities. This internal document stated that the poor condition of AFP equipment severely affects the military's effectiveness and efficiency in counterinsurgency operations and that the emphasis on low-intensity conflict (even in its underequipped condition) diverts the military's attention and resources away from external defense-related modernization projects.³² The assessment report notes that in conventional military capabilities, the "PN lacks the assets for conduct of maritime patrols over territorial waters, since it does not have any anti-air capability and is incapable of conducting anti-submarine and mine warfare operations."³³ It also underscores the PAF's inadequacy in air defense, surveillance, airlift, and ground attack capabilities. It concludes that the "basic capabilities which enable the AFP to move, shoot and communicate are still wanting."³⁴

The AFP's last 10 F-5 fighter planes were decommissioned with the rationale that they were too old and too expensive to maintain because of the shift in military resources from external defense to internal security. These planes were used extensively by the Philippine military to patrol areas claimed by the Philippines in the disputed Spratly Islands and in the Scarborough Shoals in the South China Sea.³⁵

It has also been observed that the AFP's focus on internal security has forced it to use its existing military materiel continuously under "adverse combat conditions," causing excessive wear and tear that has reduced their effectiveness and reliability.³⁶ For example, deployment of PN patrol crafts in the counterinsurgency/counterterrorism operations in southern Philippines has reduced patrol visibility in

other critical areas. This has led to increased intrusion by foreign vessels into Philippine territorial waters.³⁷ Thus, in terms of overall AFP territorial defense capabilities, the 2007 assessment pessimistically and candidly admits:

[T]he AFP's overall capability to defense the country against external threats in maritime and air environment remains inadequate. This situation is nowhere more manifest than in the Kalayaan Island Group (Spratlys) wherein the AFP is unable to prevent and respond to intrusion into our EEZ or show our resolve in defending areas we are claiming.³⁸

Back to Territorial Defense

The Philippine military has always considered its involvement in internal conflicts to be a diversion from its main task of developing its conventional military capabilities.³⁹ Given the opportunity of a more realistic defensive reform effort—in contrast to efforts in the early 1990s—that reserved a place for territorial defense, the AFP has sought to expedite defense acquisition under the CUP and to realign the procurement process with the AFP's mission. The 2006 DND memorandum encapsulating this "reforming while reforming" approach states the need for the AFP to consider procuring equipment through foreign military sales or government-to-government transactions because it would be efficient. The program's immediate goal is to restore at least 70 percent of the Philippine military's critical capabilities in conducting internal security operations. The long-term goal is to realize the original goal of the AFP modernization program in the 1990s—territorial defense.⁴⁰

32. National Defense College of the Philippines, Office of Plans and Program, "AFP's Capability Assessment," presented during the National Defense and Security Review Module Priming Session, Quezon City, Philippines, September 3–6, 2007, p. 25.

33. *Ibid.*, p. 23.

34. *Ibid.*

35. "PAF Retires Ageing Fleet of F-5 Fighter Planes," *Asian Defense Journal*, November 2–5, 2005, p. 42.

36. Quilop *et al.*, Putting an End to Insurgency, pp. 9–10.

37. *Ibid.*, pp. 42–43.

38. National Defense College of the Philippines, "AFP's Capability Assessment," p. 23.

39. *Ibid.*

This is a necessary, albeit tall, order. The DND is sorely deficient in organizational planning and performance monitoring and management, and earlier reform efforts failed because of budgetary constraints and the resurgence of domestic insurgencies.⁴¹ Many of the reform program's priorities depend on the Philippine Congress's willingness to relinquish some of its legislative prerogatives to the defense establishment: specifically, increasing the overall defense budget and granting the DND and AFP the autonomy to formulate a strategy-driven and multi-year budgeting process.

In the 1990s, the Philippine Congress micro-managed efforts to reform the AFP.⁴² The AFP modernization program was largely formulated and guided by two legislative acts,⁴³ not by the strategic exigencies facing the Philippine military. Thus, in trying to implement the 1990 modernization program, the DND and the AFP relied on an overly meticulous and stingy Congress for limited funds and followed legalistic procedures for arms acquisition policies and processes. This trend reflects continuing congressional constraints placed on the DND and a mindset that defense spending is not a priority in overall government expenditures.⁴⁴

Helping the Philippines Meet the Demands of Territorial Defense

The AFP is still largely a ground force, and any structural change is not reflected in the defense budget. Annual defense spending has remained relatively constant at the 2005 level, and defense

spending from 2006 to 2009 represents just 4.9 percent (less than \$1 billion) of the total government fiscal budget and less than 1 percent of gross domestic product.⁴⁵ The Philippine government has been spending less (in constant dollars) on defense in the 21st century than it did in the 1990s.

The AFP needs new defense materiel to execute territorial security operations.

Philippine defense spending increased slightly in the latter part of 2007 as part of the DND's revision of its expenditure policy based on the Defense Planning Guide (DPG), which underpins all defense budget measures for fiscal years 2006–2011.⁴⁶ The DPG intends to restructure spending around outputs, with the primary goal of better addressing the AFP's operational requirements. The government also allocated \$131.7 million for the CUP for the acquisition of helicopters and patrol boats.

However, these efforts are aimed to address the escalating secessionist/insurgency violence in the southern Philippines, not for territorial defense. One defense analyst has wryly noted: "The fundamental issue is this, for considerably more than a decade there has been constant proposal on defense modernization in the Philippines, and the end result has been virtually zero."⁴⁷

The AFP needs new defense materiel to execute territorial security operations. Current priorities are the acquisition of 17 UH-1H transport and six

40. Armed Forces of the Philippines, Capability Development Board, "Sharing the Vision...Providing the Hardware...: Annual Accomplishment Report 2006," 2007, pp. 24–25, at <http://www.afpmodernization.mil.ph/annual/afpmp-annualrpt06.pdf> (June 17, 2010).

41. See Romero, "Enhancing Project Management Capacity for National Security," pp. 11–22, and E. Ardanas, "Reforming Defense: An Examination of the Philippine Defense Reform," National Defense College of the Philippines *National Security Review*, August 2007, p. 23.

42. This can be grasped from Senate hearings and proceedings of the AFP Modernization Program. See Armed Forces of the Philippines, General Headquarters, Liaison Office, "AFP Modernization Act," November 1996.

43. An Act Providing for the Modernization of the Armed Forces of the Philippines, Republic Act No. 7898, February 23, 1995, at http://www.gppb.gov.ph/laws_rules/laws/RA_7898.pdf (June 23, 2010), and A Joint Resolution Approving the Modernization Program of the Armed Forces of the Philippines, Joint Resolution No. 28, December 19, 1996.

44. Business Monitor International, "Philippine Defense and Security Report Q2 2006," p. 27.

45. *Asian Defense and Diplomacy*, Vol. 16, "Strategic Focus Asia" issue (September 2009), p. 71.

46. Business Monitor International, "Philippines Defense and Security Report Q2 2008," 2008, p. 24.

attack helicopters. To shift from internal security to territorial defense, the PAF must also acquire training aircraft and fighter planes. It also needs to improve the working conditions of its personnel and invest in training and logistic support services, among other areas.

At present, the CUP is in a sensitive transition phase from internal security priority to territorial defense. American security assistance should erode the inertia against changes in the Philippine military and help to ensure that bureaucratic friction and financial constraints do not hamper the transition. The Pentagon needs to emphasize hardware acquisition and long-term financing, as well as software (attitude and technical knowledge).

To these ends, Washington should:

- **Bilaterally engage the Philippine Department of National Defense and the AFP in a comprehensive review of past and current reform efforts.** This review should evaluate the JDA, the Multi-Year Capability Planning System, the PDR, CUP, and the Defense System Management. Hopefully, this will goad the Philippine defense community into accelerating reform and convince it to factor territorial security into its defense planning and spending.
- **Review and reprioritize U.S. security assistance programs to make them responsive to the AFP's shift from internal security to territorial defense.** International Military Education and Training (IMET) should include training PAF pilots and ground support staff in fixed-wing aircraft operations. It should also retrain middle-level PAF and PN officers in territorial defense and send AFP officers to courses on formulating doctrine on defense equipment procurement and legislative liaison. The Pentagon should also consider offering the AFP some defense equipment for territorial defense through FMS because government-to-government transactions have been deemed faster and more efficient than the bidding system established by the AFP Modernization Act.
- **Identify and finance a major defense project that can indirectly support the AFP's shift from internal security to territorial defense.** Using the Coast Watch South project as a model, the Pentagon can finance projects that indirectly support the AFP's shift to territorial defense. This could be in the form of rehabilitating the country's radar systems, the PAF's long-range reconnaissance and surveillance capability, or the PN's (or coast guard's) capability to patrol the western Philippines, particularly Palawan Island. This project could be financed through FMS.
- **Encourage and coordinate programs of military assistance by other U.S. bilateral allies to the Philippines.** In the past, South Korea, Australia, Thailand, and even Japan have provided the Philippines with some of their excess defense articles. Recently, the Republic of Korea provided the PN with two Patrol Killer Medium (PKM) craft. The U.S. can informally encourage its allies to give Manila more surplus defense articles as grants or as long-term loans and to guarantee that their security programs aimed at assisting the AFP will be responsive to the requirements of Philippine territorial defense.
- **Heighten diplomatic and military engagement with Manila to impress upon its ally and the region that the U.S. will remain a Pacific power and the Philippines' principal strategic ally far into the future.** No amount of American military assistance will enable the Philippines to stand alone against an emergent China in the long run. Washington must reassure Manila that the U.S. will be a Pacific power well into the 21st century and that the U.S. is a reliable and trustworthy ally that remains committed to the 1951 Mutual Defense Treaty.

Conclusion

The Chinese challenge to the U.S. interest in freedom of navigation in the South China Sea grows more serious by the day. The Philippines is similarly challenged by China's assertiveness over its claims to disputed territory just off Philippine shores. The

47. David Saw, "Defence Modernization in the Philippines: Still Awaiting Real Progress," *Asian Defence and Diplomacy* Vol. 15, (September/October 2008), p. 15.

challenge for the Philippines is greatly complicated by its physical inability to monitor Chinese activities in and around its claims, much less respond to Chinese assertions. This inability greatly constrains Philippine diplomatic options.

To manage growing Chinese power, the U.S. needs a reliable, adequately equipped, like-minded partner on the South China Sea. The Philippines needs American leadership and assistance to fully develop its capacity for territorial defense. U.S. and

Philippine needs and interests coincide and should serve as a basis for empowering a new era in the security alliance.

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