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The Philippines

Overview

The United States and the Republic of the Philippines maintain close ties rooted in the period of U.S. colonial rule (1898-1946), a history of extensive military cooperation, the bilateral security alliance, and common strategic and economic interests. Other pillars of the bilateral relationship include shared democratic values, enduring cultural affinities, and close people-to-people ties. Filipino-Americans number roughly 3.5 million, making them the second-largest Asian-American immigrant group (after Chinese-Americans), and comprise the largest foreign-born group in the U.S. Armed Forces. The Philippines plays an important role in the Obama Administration's "strategic rebalancing" to the Asia-Pacific region.

Philippines
Geography: Mountainous archipelago
Area: Slightly larger than Arizona
Population: 107 million
Ethnic Groups: Malay (95%); Chinese, mixed race (Filipino-Spanish, Filipino-Chinese, Filipino-American), and other (5%).
Religious Affiliation: Roman Catholic (81%); other Christian (9%); Muslim (5%); other (5%).
Gross Domestic Product (GDP) and [rank]: \$694 billion (purchasing power parity) [30]
Per Capita GDP: \$7,000 (purchasing power parity)
GDP Composition by Sector: Agriculture (11%); Industry (31%); Services (58%).
Life Expectancy: 72 years
Literacy: 96%

Source: Central Intelligence Agency, *The World Factbook*, 2015.

Politics

President Benigno Aquino III's five-year presidential term ends in 2016, and he is barred by the Philippine Constitution from seeking a second term. President Aquino, son of former President Corazon Aquino and democratic leader Benigno Aquino Jr., continues to enjoy strong approval ratings of over 55%. Government policies have placed some constraints upon corruption, long an obstacle to good governance and economic growth. Weak judicial institutions remain a problem. Jejomar Binay, Vice-President of the Philippines and former mayor of Makati, a city in Metro Manila, and Senator Grace Poe are front runners in the run-up to the 2016 elections. Poe is the daughter of the late Fernando Poe, Jr., a Filipino actor who lost to Gloria Macapagal-Arroyo in the 2004 presidential elections.

Economics and Trade

The Philippines has recorded annual economic growth exceeding 6% annually since 2010, the year Aquino took office. U.S.-Philippines trade exceeded \$18 billion in 2014. Major Philippine exports to the United States include computer components, automobile parts, electric machinery, and textiles. The Philippines is one of four countries, and the only one in Asia, selected by the U.S. government to participate in the Partnership for Growth program (PFG). The PFG aims to accelerate and sustain broad-based economic growth and help the Philippines prepare to join the Trans-Pacific Partnership (TPP) free trade agreement at a later date. Obstacles to joining the TPP remain, including provisions in the national Constitution that restrict some foreign ownership of land and equity as well as opposition by domestic interests. The Philippines is home to the largest business process outsourcing sector in the world, worth about \$25 billion annually. Filipino workers continue to emigrate for jobs overseas despite solid economic growth at home. Remittances from roughly 12 million overseas Filipino workers total an estimated \$26 billion annually, representing nearly 10% of GDP.

The Philippines is a member of the Association of Southeast Asian Nations (ASEAN) and its fledgling ASEAN Economic Community (AEC), and is a participant in negotiations on the Regional Comprehensive Economic Partnership (RCEP), a proposed trade agreement that includes the ten ASEAN member states, plus China, Japan, South Korea, India, Australia, and New Zealand. The Philippines is to chair the 2015 Asia Pacific Economic Cooperation (APEC) meetings.

Maritime Tensions

Tensions between the Philippines and China over waters and land features in the South China Sea have increased since 2012, when China effectively occupied a disputed islet called Scarborough Shoal. In 2013, the Philippines filed for arbitration under the United Nations Convention on the Law of the Sea (UNCLOS), asking a tribunal to rule on whether various aspects of Chinese claims and behavior are in compliance with UNCLOS. China consistently has declined to take part in the case, arguing that the tribunal does not have legal standing to make such a ruling. Manila has protested China's recent activity to reclaim and build on several islets and submerged reefs in the Spratly chain.

The decades-old U.S.-Philippines Mutual Defense Treaty does not explicitly obligate the United States to come to the defense of maritime areas that are disputed by the Philippines and other nations, and it may leave room for alternative interpretations. Article IV of the Treaty states: "Each Party recognizes an armed attack in the Pacific Area

on either of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common dangers in accordance with its constitutional processes.” Article V refers to an armed attack on the “metropolitan territory of either of the Parties,” the “island territories under its jurisdiction in the Pacific Ocean,” or its “armed forces, public vessels, or aircraft in the Pacific.” During his April 2014 visit to the Philippines, President Barack Obama asserted that the Mutual Defense Treaty requires the two countries to help defend each other against external armed attack, adding that “our commitment to defend the Philippines is ironclad.” However, he stopped short of confirming that the Treaty would apply to disputed features in the South China Sea. In May 2015, U.S. Defense Secretary Ashton Carter reaffirmed the U.S. commitment without providing specifics.

Security Issues and Cooperation

In 1991, the Philippine Senate voted 12-11 to revoke the Military Bases Agreement between the Philippines and the United States, a reflection of nationalist sentiment. However, joint military activities continued. The Visiting Forces Agreement (VFA), which entered into force in 1999, requires that U.S. military forces assume a non-combat role and to not establish a permanent base of operations on Philippine soil. The Enhanced Defense Cooperation Agreement (EDCA), finalized between the two governments in April 2014, would allow for the increased presence of U.S. military forces, ships, aircraft, and equipment in the Philippines on a rotational basis and greater U.S. access to Philippine military bases, although no large-scale U.S. troop realignments have been proposed. The full implementation of EDCA awaits a Philippine Supreme Court decision on whether ratification by the Senate is required. In January 2015, the two governments held the fifth Bilateral Strategic Dialogue in Manila.

The Philippine Armed Forces (AFP) and U.S. military engage in regular joint military exercises and missions. “Balikatan” (*Shoulder-to-Shoulder*) aims to develop the combat readiness of the AFP and U.S.-Philippine interoperability. Balikatan 2015 involved 11,000 military service personnel from the Philippines, the United States, and Australia. Other annual joint exercises include the Cooperation Afloat Readiness and Training (CARAT) naval event and the Amphibious Landing Exercise (PHIBLEX). CARAT Philippines took place in June 2015 off the coast of Palawan opposite the disputed Spratly Islands. The AFP also simultaneously held drills with the Japanese Navy in the same area.

U.S. assistance to the Philippines, totaling \$196 million in FY2014, focuses on economic growth, democratic participation, and peace and stability in Mindanao and the Sulu archipelago in the southern part of the country, home of a decades-old Muslim separatist insurgency. In 2010, the U.S. Millennium Challenge Corporation (MCC) approved a five-year, \$434 million compact with the Manila government, which focused on tax reform, poverty reduction, and infrastructure. U.S. military assistance to the Philippines aims to help the country’s military transition

from a domestic focus to an external one, and to establish a “credible security presence and awareness in the maritime domain.” The Philippines is the largest recipient in the Asia-Pacific region of U.S. Foreign Military Financing, which supports AFP modernization efforts. The Philippines plans to increase its military budget and to buy military ships, aircraft, helicopters, vehicles, and weapons. The Aquino Administration has purchased two decommissioned U.S. Coast Guard Hamilton-class cutters, which are now the largest vessels in the Philippine navy. Japan has promised to provide ten patrol vessels to the AFP and other military hardware and technology.

Since 2002, Washington and Manila have cooperated on counterterrorism operations in the southern Philippines. The United States established the Joint Special Operations Task Force–Philippines (JSOTF-P) as part of Operation Enduring Freedom to help the AFP fight the Abu Sayyaf Group, an Islamist terrorist organization based in Sulu. JSOTF-P forces began to withdraw in 2014, due to several factors: the weakening of the Abu Sayyaf Group; the improving capabilities of Philippine military forces; and a 2014 peace agreement between the Government of the Philippines and the Moro Islamic Liberation Front (MILF) to establish an autonomous region for Muslims in Mindanao and Sulu (Comprehensive Agreement on Bangsamoro). At its peak in the mid-2000s, the Abu Sayyaf Group posed a significant terrorist threat. It maintained links with Jemaah Islamiyah, a Southeast Asian Islamist terrorist organization based in Indonesia, and factions of the MILF, and had tenuous ties to Al Qaeda. The Abu Sayyaf Group and the Bangsamoro Islamic Freedom Fighters, a MILF splinter group that does not support the peace agreement, reportedly have expressed verbal support for the Islamic State. Although there reportedly are roughly 100 Filipino fighters among Islamic State ranks, some experts believe the number is far lower, and that operational ties between Islamist groups in the Philippines and the Islamic State are unlikely.

The Communist Party of the Philippines (CPP), which Manila long had viewed as its principal security threat, has waged an insurgency and committed terrorist attacks since the late 1960s. The reach of the CPP’s military arm, the New People’s Army (NPA), has been reduced and its forces have declined from around 25,000 fighters in the early 1980s to fewer than 4,000. The NPA continues to carry out small-scale attacks largely on police and army units as well as economic targets. The government continues to battle the NPA while remaining open to peace talks.

For more information, see CRS Report R43498, *The Republic of the Philippines and U.S. Interests—2014*, and CRS Report R42930, *Maritime Territorial Disputes in East Asia: Issues for Congress*.

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