

CRS Report for Congress

The Republic of the Philippines: Background and U.S. Relations

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The Republic of the Philippines: Background and U.S. Relations

Summary

This report discusses key issues in U.S.-Philippine relations and developments in Philippine politics, economics, society, and foreign relations. Global terrorism concerns have brought the United States and the Republic of the Philippines (RP), which has been designated a Major Non-NATO ally, closer together. However, they also have produced some bilateral tensions and highlighted weaknesses in Philippine economic, political, and military institutions.

The RP faces terrorist threats through reported cooperation among three groups — Jeemah Islamiah (JI), the main Southeast Asian Islamic terrorist organization with ties to Al Qaeda; Abu Sayyaf, a small, violent Muslim separatist group which operates in the southern Philippines; and the Moro Islamic Liberation Front (MILF), an armed separatist group with alleged ties to both JI and Abu Sayyaf. Since 2002, the Philippines and the United States have carried out joint military exercises on Mindanao and on Basilan and Jolo islands. The exercises on Basilan and Jolo, in which U.S. troops have provided non-combat assistance, have significantly reduced the strength of Abu Sayyaf and resulted in the deaths of some of its senior leaders. Nonetheless, Abu Sayyaf continues to operate through its growing cooperation with JI and some factions of the MILF. Furthermore, the rise of the Rajah Solaiman Movement (RSM), composed of Muslim converts from the northern Philippines, and its cooperation with Abu Sayyaf and the MILF, has the potential to expand the reach of Islamic terrorism to Manila and the main island of Luzon. The RP government has objected to considerations by U.S. policy makers of a greater combat role for U.S. troops and of placing the MILF, with whom Manila is negotiating a peace agreement, on the U.S. list of terrorist organizations.

Under the leadership of President Gloria Macapagal-Arroyo, the Philippine economy has made solid gains and two major coup threats have been thwarted. However, political corruption remains a problem. The 2007 mid-term elections were marred by violence and irregularities in some areas, and the U.S. government has expressed concerns over alleged political killings of local mass media personnel, extra-judicial killings of leftists and social activists, and the “climate of impunity” that has allowed many perpetrators of violence to go unpunished. Some Members of Congress have advocated linking U.S. military assistance to the Philippines to the Arroyo government’s progress in stemming extra-judicial killings. Two independent investigations into the killings, conducted with the consent of President Arroyo, have implicated the Philippine armed forces.

Many Filipino veterans of World War II, who fought with the U.S. Armed Forces against the Japanese military, have claimed that the United States government has not fulfilled a promise to provide full veterans’ benefits. Two measures have been introduced in the 110th Congress, H.R. 760 and S. 57, that would grant full veterans benefits to all Filipino World War II veterans. This report will be updated periodically.

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The Republic of the Philippines: Background and U.S. Relations

Overview

The United States and the Republic of the Philippines (RP) maintain close ties stemming from the colonial period (1898-1946). Beginning in 2001, cooperation in the global war on terrorism brought the United States and the Philippines, two treaty allies, closer together nearly a decade after the United States closed its military bases in the RP. During President Gloria Macapagal-Arroyo's state visit to Washington in May 2003, the United States pledged increased military assistance to the RP and designated the Republic of the Philippines as a Major Non-NATO Ally.¹ Despite general agreement on the importance of U.S.-RP relations and the U.S.-led war on terrorism, some bilateral frictions occasionally have arisen as the Philippines has become more assertive regarding its self-interests and sovereignty.

The main pillars of the bilateral relationship are the U.S.-RP security alliance, shared democratic values, counter-terrorism efforts, trade and investment ties, and extensive people-to-people contacts. Filipino-Americans number approximately 2.4 million, making them the second-largest Asian-American group, and comprise the largest number of immigrants in the United States armed forces,² while over 100,000 Americans live in the Philippines. Two measures have been introduced in the 110th Congress, H.R. 760 and S. 57, that would grant full veterans benefits to all Filipino World War II veterans, who fought with the U.S. Armed Forces against the Japanese military, similar to those received by U.S. veterans.

Policy Options for Congress

Broad U.S. policy objectives include maintaining the U.S.-RP alliance as the bilateral relationship matures and evolves into one of equal partners, assisting the Armed Forces of the Philippines (AFP) in counter-terrorism efforts, and helping the RP to develop stable and responsive democratic institutions and achieve broad-based economic growth. In support of these goals, Congress may consider a number of policy options. It has been argued that increasing appropriations for Foreign Military Financing (FMF), military training (IMET), and anti-terrorism assistance (NADR) to the AFP would help the Philippine military fight militant and terrorist groups as well as promote democratic principles in the military. Some experts have called for a more aggressive role for U.S. forces in Philippine counter-terrorism efforts.

¹ Catharin Dalpino, "Separatism and Terrorism in the Philippines: Distinctions and Options for U.S. Policy," *Testimony before the Subcommittee on East Asia and the Pacific, House International Relations Committee*, June 10, 2003.

² U.S. Census Bureau, 2000; Migration Policy Institute, 2003.

However, many Filipinos maintain that the RP constitution prohibits the use of foreign troops for combat and that U.S. forces in joint-military activities should be limited to a non-combat role. The Bush Administration has expressed concern over the Moro Islamic Liberation Front (MILF), an Islamic separatist and insurgent group with alleged terrorist ties and activities, but has supported peace talks between the Arroyo government and the MILF.

Some analysts contend that separatist and terrorist movements are fueled by political corruption, poverty, and economic inequality. One policy option for Congress could involve providing greater assistance for development programs in Muslim Mindanao that help provide livelihoods for former guerrilla fighters and education for their children. In support of economic growth and in light of China's growing economic influence in the RP, another option is to support a U.S.-Philippines Free Trade Agreement (FTA).

The United States government has taken several steps to help address the problem of extra-judicial killings in the Philippines, largely through foreign assistance programs. U.S. plans and activities include providing additional 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. The Bush Administration has expressed some satisfaction with the steps that President Arroyo has taken to tackle the problem.³ Some policy makers argue that foreign assistance to the Philippines, including military and Millennium Challenge Account funding, should be linked to the RP government's progress in prosecuting and trying perpetrators of extra-judicial violence.

Political Developments

Since 2005, President Gloria Macapagal-Arroyo has faced popular protests calling for her resignation, disgruntlement within the lower ranks of the military, and two failed impeachment bids. According to one poll, Arroyo's popularity has risen somewhat, from a satisfaction-dissatisfaction rating of 34-47 in November 2006 to 39-42 in July 2007, due in part to an improving economy.⁴ The government's successful fiscal reforms, lack of popular leadership alternatives, support from the top ranks of the military, and the relative quiet of the Catholic church of the Philippines, have helped to prevent various opposition movements from gathering momentum.

Arroyo has been plagued by the scandal surrounding her election to a six-year term in 2004. Arroyo, daughter of former Philippines President Diosdado Macapagal, former RP Senator, and former Vice-President to Joseph Estrada,

³ "Extrajudicial Killings in the Philippines: Strategies to End the Violence," Statement of Eric G. John, Deputy Assistant Secretary of State, Bureau of East Asian and Pacific Affairs, before the Subcommittee on East Asian and Pacific Affairs, Senate Committee on Foreign Relations, March 14, 2007.

⁴ "Arroyo Satisfaction Rating Still -3," *Inquirer*, July 16, 2007.

assumed the top office in 2001 when President Estrada resigned amid a corruption scandal and popular uprising. Having survived a military coup attempt in July 2003, Arroyo won the presidential election of May 2004. In 2005, she faced allegations that she had “rigged” the 2004 presidential race against Fernando Poe. In a recorded telephone conversation that occurred prior to the end of vote counting, Arroyo reportedly told an election commissioner that she wanted to secure a million-vote margin. In June 2005, President Arroyo publicly apologized for a “lapse in judgment” but vowed to remain in office and to allow the controversy to be “mediated through the constitutional process,” thus favoring risking impeachment over resigning.⁵ This scandal followed accusations earlier in the year that the President’s husband, son, and brother-in-law had received kickbacks from illegal lottery operators.

2006 Coup Plot

In February 2006, President Arroyo, with the help of military leaders, declared a week-long state of emergency following the uncovering of a coup plot. The event showed not only the intensity of opposition to Arroyo but also the tenuous nature of Philippine political institutions.

Various groups were alleged to have been involved in the aborted plan, including junior officers from the armed forces, leftists, loyalists to Joseph Estrada, and some former government leaders. In March 2006, 36% of respondents in a poll said they would favor a military coup, with 33% against it, while 48% said they would support a “people power” revolt, with only 27% opposing.⁶

Some experts contend that Philippine politics are prone to instability and abuses of power. The political system is dominated by a socio-economic elite whose influence reaches back to Spanish colonial times. Political groupings tend to be fragmented and shifting. Political parties are driven more by sectoral and geographic interests than unifying ideologies. According to some analysts, the legislature acts

Republic of the Philippines (RP) in Brief

Capital: Manila
 Area (comparative): slightly larger than Arizona
 Government: unitary republic, presidential system, bicameral legislature, independent judiciary
 Population: 91 million
 Religions: Roman Catholic — 80.9%; other Christian — 7%; Muslim — 5%; other — 7%
 Ethnic groups: Malay (95%); Chinese (2%); Meztizo (Malay-Chinese or Malay-Spaniard, and other) (2%); Other (1%)
 Labor force by occupation: agriculture — 36%; industry — 15%; services — 49%
 Public debt: 61% of GDP
 Unemployment rate: 7.9%
 Literacy: 92%
 Life expectancy: 70 years (total population)
 GDP per capita (PPP): \$5,000
 Human Development Index Ranking: 84 (out of 177)

Source: Central Intelligence Agency *World Factbook* (2007)

⁵ Paul Alexander, “Support for Philippine President Crumbles,” *Washington Post*, July 8, 2005.

⁶ “Filipinos Split over Idea of Coup,” *Associated Press*, April 3, 2006.

as a “watchdog,” but has difficulty articulating broad policy options. The public often elects and places its trust in charismatic leaders who distribute the spoils of victory to their cronies.⁷

2007 Congressional Elections

The May 2007 mid-term elections reportedly were marred by violence, intimidation, fraud, disenfranchisement, and other voting irregularities in some areas, particularly in the south. Over 100 persons reportedly were killed in campaign and election-related violence.⁸ However, according to other observers, the 2007 elections were carried out honestly overall and represented an improvement over the 2004 elections. Arroyo gained strength in the lower House following the elections, thus helping to avoid another impeachment bid. However, pro-Arroyo parties lost their narrow majority in the Senate. This may make it more difficult for the President to carry out her policy agenda, according to some experts, including her effort to further reduce the budget deficit.⁹

Charter Change

Arroyo’s advocacy of a fundamental change of the Philippine constitution and political system (“charter change”) has become a centerpiece of her presidency. The President proposes to restructure the government from a unitary, presidential system with a bicameral legislature to a federal, parliamentary system with a unicameral assembly. According to backers of the change, such as former President Fidel Ramos, the new system would help produce more competent candidates for executive office through the elimination of presidential campaigning, reduce corruption, foster more stable political party alignments, and facilitate economic reform legislation. Furthermore, a federal system would provide more autonomy to and reduce tensions among restive ethnic groups in the south. Some analysts argue that charter change, which may be viewed as a panacea by some, would not fundamentally alter some of the main characteristics that plague Philippine politics. The upper house (Senate) is unlikely to support the initiative since it would terminate the chamber’s existence. The plan reportedly has little support outside the capital — roughly two-thirds of Filipinos reportedly are opposed to or indifferent to the proposal.¹⁰

Politically-Motivated Violence and Extrajudicial Killings

The numbers of extrajudicial killings of individuals linked to leftist groups and politically-motivated acts of violence against mass media personalities have risen since Gloria Macapagal-Arroyo assumed the presidency in 2001. According to estimates, 50 journalists reportedly have been killed since 2001. In its *2007 Annual*

⁷ Alex Magno, “The Perils of Pedestals,” *Time Asia*, July 11, 2005.

⁸ “DJ Foreign Observers Say Philippine Elections Marred by Fraud,” *Dow Jones Commodities Service*, May 18, 2007.

⁹ Bruce Gale, “Arroyo in for Reform Headache,” *The Straits Times*, July 4, 2007.

¹⁰ Social Weather Stations, September 2004; “Philippines: Thousands Demand Arroyo’s Resignation,” *The Guardian*, December 19, 2006.

Report, Reporters Without Borders placed the Philippines in the “Difficult Situation” category for press freedom.¹¹ Many experts attribute the deaths of media hosts to local power struggles and inter-personal feuds, rather than to a systematic crackdown on media freedom directed by Manila. However, critics of the government complain that in many cases, the media personalities had exposed local government corruption or human rights abuses, the police were often beholden to local elites and did not perform proper investigations, and higher levels of government did not aggressively pursue or prosecute those responsible for the violence. Six journalists reportedly were killed in the Philippines in 2006.¹²

Since 2001, between 136 and 800 mostly leftist political, trade union, farmer, church, and human rights activists have been killed, according to Philippine police and human rights groups. Many reports have attributed most of these deaths to the Armed Forces of the Philippines. Some experts suggest that the AFP has been so dedicated to eradicating the Communist Party of the Philippines (CPP) and its New People’s Army (NPA), which are on the U.S. list of terrorist organizations, that it has cast an excessively wide net over leftist activists. The government’s February 2006 proclamation of an “all out war” against communist insurgents and other “enemies of the state” gave further license to the AFP’s unrestricted campaign against perceived leftist security threats. Many analysts contend that Arroyo has been reluctant to discipline the military; its top ranks have provided her with needed political support.¹³

AFP officials have largely rejected the claims that extrajudicial killings have occurred or that the military is culpable, as well as the notion that the alleged victims were innocent. Some military officials have responded to allegations with counterclaims that the deaths were a fabrication of the CPP, that activists were killed as part of a CPP intra-organizational purge, and that legal 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 Communist Party.¹⁴ Furthermore, some AFP leaders argue, any efforts to investigate the army would undermine its counter-insurgency and counter-terrorism efforts.

In 2006, partially in response to the outcry from human rights groups, the Catholic Church of the Philippines, and European countries, President Arroyo created a special task force to investigate the political killings and invited the United Nations Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions, Philip

¹¹ Countries are placed into one of five categories: good situation; satisfactory situation; noticeable problems; difficult situation; and very serious situation. Reporters Without Borders, *2007 Annual Report*

¹² “2006 a Deadly Year for Journalists,” *CBC News*, December 31, 2006; *Amnesty International*, August 2006.

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

Alston, to conduct a fact-finding mission. The task force (Melo Commission) and the Special Rapporteur released findings in January 2007 and February 2007, respectively.¹⁵ 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 and killed by the CPP as part of an internal organizational purge, or that they died in military combat between the AFP and the New People's Army. Some RP officials dismissed Alston's conclusions, while the AFP criticized the Melo report as "unfair."¹⁶ Some critics of President Arroyo contend that the studies did not go far enough in probing the government's own involvement or complicity. In March 2007, Arroyo called for the creation of special courts to hear cases of killings of left-wing activists and media personnel and ordered the military to revise its rules on command responsibility. In June 2007, a team of EU experts traveled to Manila to discuss possible technical assistance to Philippine courts involved in cases of alleged extra-judicial killings.

United States Responses. The Bush Administration has expressed some satisfaction with the steps that the RP government has taken to investigate the killings.¹⁷ The U.S. Department of State's 2006 human rights report highlighted the problems of political killings of local mass media personnel, extra-judicial killings of leftists and social activists, and the "climate of impunity" that has allowed many perpetrators of violence to go unpunished. In contrast to the Melo report and Alston's preliminary findings, however, the State Department suggested that the CPP may have been responsible for many of the killings of activists.¹⁸ On August 1, 2007, Representatives James L. Oberstar and Joe Pitts sent a letter to President Arroyo, signed by 49 Members of Congress, expressing concern over the extra-judicial killings, "a growing environment of impunity," and the possibility that U.S. assistance "is being used to support, directly or indirectly, those within the [police] and [armed forces] who are responsible for the killings."¹⁹

Economic Conditions

During the post-World War II period, the Philippines, with its American-influenced political institutions and culture, well-educated and talented workforce, and widespread use of English, was considered by some observers to be the second

¹⁵ "Another Journalist Shot Dead," *Philippine Daily Inquirer*, February 20, 2007; Independent Commission to Address Media and Activist Killings, January 22, 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.

¹⁶ "Arroyo in Bind over Military Link to Killings," *Agence France Presse*, February 24, 2007; "Melo Report Tags Palparan 'Prime Suspect' in Killings," *Philippine Daily Inquirer*, February 27, 2007; Philippines Rejects UN Reports, *CNN.com*, February 21, 2007.

¹⁷ "Washington Calls for Resolution of Political Killings in the Philippines," *All Headline News*, February 27, 2007.

¹⁸ U.S. State Department, *Country Reports on Human Rights Practices — 2006 (Philippines)*, March 6, 2007.

¹⁹ "Rep. Oberstar Raises Human Rights Concerns," *U.S. Fed News*, August 1, 2007.

most-developed country in East Asia, after Japan; however, the country has fallen behind other developing nations in the region. Under President Arroyo, the economy has experienced its strongest growth since the Asian financial crisis (1997-98), foreign investment is rebounding, and the poverty rate has declined. Nonetheless, the Philippines has slipped below China both in terms of gross domestic product (GDP) per capita (\$5,000 in the Philippines compared to \$7,700 in China)²⁰ and “human development.” The United Nations Development Program’s Human Development Index (HDI) ranks the Philippines 84th and China 81st in 2006.²¹

Analysts argue that the Philippine economy has been hampered since the 1950s by numerous factors, including political corruption, bureaucratic incompetence and red tape, an entrenched economic oligarchy (“crony capitalism”), public and foreign debt, and poor infrastructure. On an international scale measuring perceptions of corruption, the RP lies near the bottom 25th percentile.²² The government reportedly has prosecuted corrupt officials in some high-profile cases, but the problem reportedly remains pervasive at middle bureaucratic levels. About one-third of the government budget goes toward making payments on debt. Other obstacles to development include a high population growth rate,²³ wide disparities of wealth, the emigration of talented professionals, and violent crime.

Many observers have given credit to President Arroyo’s fiscal reform policies, which have included streamlining government operations, privatizing the public sector, and reducing public debt through expanding and more aggressively collecting taxes, for the country’s positive economic performance of the past few years. The last president to carry out sustained economic reform was Fidel Ramos (1992-1998), who lifted controls on foreign exchange, permitted foreign banks in the country, busted monopolies, and deregulated airlines and telecommunications companies.²⁴ Under the Arroyo administration, the government budget deficit has declined, agriculture, export industries (electronics), and business process outsourcing have performed well, and remittances from abroad have surged. Real growth in gross domestic product averaged 5% during 2004-2006 and is expected grow by 6% in 2007. Foreign direct investment (FDI) rose by 18% in 2006, to \$2.35 billion, although investment inflows as a percentage of GDP remain lower than those of comparable developing countries in the region, such as China, Thailand, and Vietnam.²⁵

²⁰ In PPP or purchasing power parity terms, which factors in cost of living.

²¹ The HDI ranks countries according to human development indicators of life expectancy, education, literacy, and gross domestic product.

²² Transparency International, *Corruption Perceptions Index (2006)*, [http://www.transparency.org/policy_research/surveys_indices/cpi/2006].

²³ According to the United Nations Population Fund (UNPF), the Philippines annual growth rate is the highest in the region.

²⁴ George Wehrfritz and Marites Vitug, “Gloria’s Last Stand?” *Newsweek*, July 11, 2005.

²⁵ Juliet Labog-Javellana, “Arroyo: Election Results in Victory for the Economy,” *Philippine Daily Inquirer*, May 18, 2007; Eloisa I. Calderon, “FDI’s Expected to Remain at \$1B a Year,” *BusinessWorld*, March 1, 2007; Economist Intelligence Unit, *Country Report* — (continued...)

The Philippine economy is highly dependent upon remittances from abroad. In 2006, nearly 8 million overseas Filipino workers (OFWs) remitted \$12.8 billion (over 10% of GDP or more than half the government budget), compared to \$10.7 billion in 2005. While this source of income is a boon to the economy, some observers argue that it promotes consumption over long-term economic development. Furthermore, the flight of educated professionals represents a brain drain and the depletion of the middle class which has long been considered the bulwark of democracy in the Philippines. Each year, nearly 900,000 Filipinos leave the country for find work abroad, 70% of them categorized as professionals, skilled technicians, and high-end service workers. Leaders of the Philippine medical community have warned that the country could face a healthcare crisis due to the outflow of doctors (an estimated 5,000-6,000 physicians since 2001) seeking work as nurses in the United States, Europe, and the Middle East. In addition, roughly 100,000 nurses have left the Philippines in the past decade.²⁶

The RP's largest trading partners are China (not counting Hong Kong), the United States, and Japan. China, the United States, and Japan are the largest foreign investors. Philippine merchandise exports are dominated by electronics, garments, and machinery. In 2006, U.S.-RP trade (\$17.2 billion) showed signs of picking up after stagnating for several years. Philippine exports to the United States (electronic components, machinery, garments, and furniture), were valued at \$9.6 billion in 2006, compared to \$11.3 billion in 2001.²⁷ In 2006, the RP exported \$14.6 billion worth of goods to China, and boosted its trade surplus with China to \$8.7 billion.²⁸ Business process outsourcing, including call centers, is the fastest growing industry in the RP, earning \$3.8 billion in 2006.

Promoting U.S. Trade and Investment

Some foreign policy makers advocate greater U.S. trade with and investment in the Philippines as a means toward keeping the country economically competitive in the region as well as helping to promote social and political stability. The Philippines welcomes U.S. investment in infrastructure, power generation, mining, and global sourcing (business process outsourcing, call centers, medical transcription, etc.). In 2002, the Bush Administration inaugurated a trade initiative with the Association of Southeast Asian Nations (Enterprise for ASEAN Initiative or EAI) which offers the prospect of bilateral free trade agreements (FTAs) with countries that have demonstrated a commitment to economic reform and openness. The United States has concluded a Trade and Investment Framework Agreement (TIFA) with the Philippines as a foundation for a possible future FTA. The expiration, on July 1,

²⁵ (...continued)
Philippines, July 2007.

²⁶ George Nishiyama, "Terminal Case of Brain Drain in the Philippines," *New Zealand Herald*, March 3, 2006; Michael A. Bengwayan, "Philippines Doctors and Nurses: Going, Going, Gone," *Asia Observer*, June 7, 2006.

²⁷ United States International Trade Commission.

²⁸ The Philippines also runs a \$1.8 billion trade surplus with Hong Kong.

2007, of the President's trade promotion authority (TPA), however, has left future bilateral FTA negotiations in doubt, at least until TPA is renewed by Congress.

Terrorist, Separatist, and Communist Movements

The Muslim terrorist and insurgency situation in the southern Philippines has become increasingly complex since 2002 when Philippine and U.S. forces conducted a relatively successful operation against the Abu Sayyaf terrorist group on Basilan island off the southwestern tip of the big southern island of Mindanao.²⁹ The operation reduced Abu Sayyaf's strength from an estimated 1,000 active fighters to an estimated 200-400 in 2005. Another apparent positive development in the southern Philippines is that the cease-fire between the Moro Islamic Liberation Front and the Philippine government and AFP has held, and negotiations for a settlement are ongoing in Malaysia. However, there are other developments of a decidedly negative nature that could worsen the overall situation in the southern Philippines and even the Philippines as a whole. One is the growing cooperation among Abu Sayyaf, several major MILF commands, and elements of Jeemah Islamiah (JI) on Mindanao. JI, the Southeast Asian Muslim terrorist organization with ties to Al Qaeda, appears to have made Mindanao a primary base for building up its cadre of terrorists. Moreover, this cooperation among the three groups appears to be transforming Mindanao into a significant base of operations rather than just a site for training; and these operations appear to increasingly target the Philippines for terrorist attacks. This, too, is related to another new development — the emergence of a group of Filipino Muslim converts in the northern Philippines, the Rajah Solaiman Movement, which is working with Abu Sayyaf and JI. The result has been an increase in terrorist bombings since 2002, both in number and destructiveness, and an increase in the level of bombing targets in the northern Philippines, including Manila.

The Abu Sayyaf Group

Abu Sayyaf is a small, violent, faction-ridden Muslim group that operates in western Mindanao and on the Sulu islands extending from Mindanao. It has a record of killings and kidnaping and has had past, sporadic links with Al Qaeda.³⁰ In May 2001, Abu Sayyaf kidnaped three American citizens, including the Burnhams, a U.S. missionary couple. One of the Americans, Guillermo Sobero, was beheaded. In June 2002, Filipino army rangers encountered members of the Abu Sayyaf group holding the Burnhams. In the ensuing clash, Mr. Burnham and a Filipina female hostage were killed, but Mrs. Burnham was rescued.

²⁹ See CRS Report RL31672, *Terrorism in Southeast Asia*, coordinated by Bruce Vaughn.

³⁰ The ASG reportedly provided support to Ramzi Yousef, an 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.

Philippine military operations since 2001, supported by the United States, have weakened Abu Sayyaf on Basilan island and in the Sulu islands. However, under the leadership of Khadafi Janjalani, Abu Sayyaf reoriented its strategy and appears to have gained greater effectiveness as a terrorist organization. Janjalani de-emphasized kidnapping for ransom and instead emphasized developing capabilities for urban bombings. He improved ties with key military factions of the MILF and established cooperation with JI. He also re-emphasized the Islamic nature of Abu Sayyaf. Thus, even though Abu Sayyaf's armed strength has fallen from an estimated 1,000 in 2002 to 200-400 in 2005, the capabilities of the organization may be growing.³¹ Khadafi Janjalani moved some of its operations and leadership to the mainland of western Mindanao. There it reportedly has established links with elements of JI, using several MILF base camps where the two groups reportedly engage in joint training with an emphasis on bomb-making and urban bombings.³² Two key JI leaders from Indonesia also relocated to Jolo island in the Sulu island chain southwest of Basilan. In March and April 2003, Abu Sayyaf, JI, and MILF cadre carried out bombings in Davao on Mindanao, which killed 48.

By mid-2005, Jemaah Islamiah personnel reportedly had trained about 60 Abu Sayyaf members in bomb assembling and detonation.³³ Since March 2004, the Philippine government reportedly has uncovered several Abu Sayyaf plots to carry out bombings in Manila, including the discovery of explosives. One reported target was the U.S. Embassy. In February 2005, Abu Sayyaf carried out three simultaneous bombings in three cities, which indicated a higher level of technical and operational capability. In April 2004, police officials reportedly determined that a February 2004 bombing of a Manila-based ferry, in which 194 people died, was the work of Abu Sayyaf and the Rajah Solaiman Movement, a group of Filipino Muslim converts from the Manila area. According to Philippine national security officials, Abu Sayyaf is training Rajah Solaiman members to carry out terrorist bombings in Manila and several other cities.³⁴

U.S. Policy Toward Abu Sayyaf

Within a few months after the September 11, 2001 terrorist attack on the United States, the Bush Administration moved to extend direct military support to the Philippines in combating Abu Sayyaf. The United States committed 1,300 U.S. military personnel in 2002 to support Philippine military operations against Abu Sayyaf on Basilan island. This force completed its mission by the end of 2002. In 2005, the Philippines and the United States developed and implemented a combined

³¹ Abuza, Zachary. *Balik-Terrorism: The Return of the Abu Sayyaf Group*. Carlisle, U.S. Army War College, 2005. p. 27. Mogato, Manny. *Fighting in the Philippine South Rages, Soldier Killed*. Reuters News, November 24, 2005.

³² Abuza, *Ibid.*, pp. 14-19, 22-24.

³³ 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 Inquirer* (internet version), November 20, 2005.

³⁴ Abuza, *Balik-Terrorism: The Return of the Abu Sayyaf*, p. 36.

operation in western Mindanao against Abu Sayyaf, and U.S. military personnel also participated in non-combat operations on Jolo island in the Sulu island chain.

The U.S. military role appears to be based on three objectives: (1) assist the Philippine military to weaken Abu Sayyaf in its redoubt of Jolo and the other Sulu islands; (2) neutralize Abu Sayyaf-Jeemah Islamiah training; and (3) kill or capture Khaddafy Janjalani and other Abu Sayyaf leaders.

Rajah Solaiman Movement (RSM)

The emergence of the RSM in 2005 presented a new terrorist threat to the Philippines. Unlike Muslims of the southern Philippines, the RSM appears to be composed primarily of Filipinos from the northern Philippines. The RSM has emerged from the estimated 200,000 Filipinos who have converted to Islam since the 1970s; many of these are Filipino who worked in the Middle East where they converted. The RSM's manpower strength is unknown, but Philippine intelligence reports indicate that it has cells throughout the main island of Luzon, including metropolitan Manila.³⁵ Thus, the RSM potentially expands the reach of Islamic terrorism to Manila and other parts of the northern Philippines. The RSM has cooperated with Abu Sayyaf in several bomb plots, including the February 2004 Manila ferry bombing. A Manila bomb plot uncovered in March 2004 involved the RSM, according to Philippine intelligence officials. The RSM also has received financial support and training from elements within the MILF. The RSM leader, Ahmed Islam Santos, reportedly underwent training in bombing in the MILF's Camp Bushra on Mindanao in December 2001.³⁶

MNLF and MILF

The U.S. focus on Abu Sayyaf is complicated by the broader Muslim issue in the southern Philippines, including the existence of two much larger groups, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). Both groups have been in insurrection against the Philippine government for much of the last 30 years. The MNLF signed a peace treaty with Manila in 1996, which granted limited autonomy to four Mindanao provinces. The MILF, with an estimated armed strength of 10,000, has emerged as the larger of the two groups. Its main political objective has been separation and independence for the Muslim region of the southern Philippines.

MILF leaders deny links with JI and Abu Sayyaf, but there are many reports linking some local MILF commands with these terrorist organizations. Evidence, including the testimonies of captured Jemaah Islamiyah leaders, has pointed to strong links between the MILF and JI, including the continued training of JI terrorists in MILF camps. This training appears to be important to Jemaah Islamiyah's ability to

³⁵ Top Terrorism Suspect Falls. *Philippine Daily Inquirer* (Internet version), October 27, 2005. Montlake, Simon. In Philippines, watchful eye on converts. *Christian Science Monitor*, November 28, 2005. p. 7.

³⁶ Ibid. Abuza, Balik-Terrorism: The Return of the Abu Sayyaf, pp. 35-37.

replenish its ranks following arrests of nearly 500 cadre in Indonesia, Malaysia, and Singapore. Despite over two years of negotiations with the RP government and disavowing links with JI, the MILF has not captured any JI cadre.³⁷ A stronger collaborative relationship has developed between these MILF commands and Abu Sayyaf since 2002.

Zachary Abuza, an expert on Islamic terrorism in Southeast Asia, has identified four of eight MILF base commands as sites of active MILF cooperation with Abu Sayyaf and JI. He also has identified the MILF's Special Operations Group as facilitating joint training and joint operations with Abu Sayyaf. JI uses these MILF base camps to train both MILF and Abu Sayyaf cadre. Khadafi Janjalani and other Abu Sayyaf leaders reportedly received sanctuary in at least one MILF base camp.³⁸ An ambush of Philippine troops on Basilan in July 2007 reportedly was carried out by a combined MILF-Abu Sayyaf force.

The MILF has had tenuous cease-fire agreements with Manila. The RP government and the MILF concluded a new truce agreement in June 2003, which has resulted in a substantial reduction in violence and armed clashes. However, the cease-fire apparently has not reduced the movement of terrorist personnel and materials between Mindanao and the Indonesian island of Sulawesi under the direction of JI.³⁹ Under the truce, a Malaysian observer team visited MILF camps in March 2004 and warned MILF leaders to end ties to Jemaah Islamiyah. The Malaysian team was a forerunner of a larger team of international observers that began to monitor the cease-fire in October 2004 — and presumably MILF-JI relations. A new round of Philippine government-MILF political talks has begun. In May 2003, the Bush Administration promised U.S. financial support of \$30 million to support a negotiated settlement between the MILF and the Philippine government.⁴⁰

The negotiations between the MILF and the government have been protracted and inconclusive. A main issue of disagreement is over “ancestral domain,” the size the geographical configuration of an autonomous Muslim political entity. The MILF has proposed a unified area geographically on Mindanao. It is traditionally Muslim but includes locales where Christians are the majority. The government has proposed a smaller, “leopard spot” configuration with no geographical unity that is more supportive of Christian populations and powerful Christian political families. The MILF has rejected a government proposal for a census and plebiscite in locales to determine which would be included in the Muslim autonomous entity. Another issue is the constitutional-political system in an autonomous Muslim entity; whether an electoral democracy or a traditional system led by Muslim religious and tribal

³⁷ Interview with Zachary Abuza, January 3, 2006.

³⁸ Abuza, *Balik-Terrorism: The Return of the Abu Sayyaf*, pp. 14-19, 22-24.

³⁹ The Mindanao-Sulawesi corridor is one of the weakest links in the anti-terrorist efforts of Indonesia and the Philippines backed by the United States.

⁴⁰ Curl, Joseph. Bush Will Send More Troops to Fight Philippine Rebels. *Washington Times*, May 20, 2003. p. A10. Bonner, Raymond. Philippine camps are training Al Qaeda's allies, officials say. *New York Times*, May 31, 2003. p. A1.

leaders. The issue of elections is particularly important, given the history of extensive vote fraud in the Muslim areas of Mindanao, often with the connivance of Filipino political parties and leaders. The nature of security forces remains to be resolved, including the jurisdiction of the AFP and the Philippine National Police (PNP) in the Muslim entity. The MILF also seeks agreement on a referendum to be held to determine the final political status of the Muslim entity; such a plebiscite could include an option for full independence.

The future roles of the MNLF, other non-MILF political groups, and powerful Muslim families may give rise to further potential points of dispute.⁴¹ The MNLF still has political influence in parts of Mindanao and the Sulu islands. An Autonomous Region for Muslim Mindanao, negotiated between the Philippine government and the MNLF in 1976, remains in existence, although the government of the Autonomous Region is considered weak and ineffective. Powerful Muslim political families remain independent of the MILF and MNLF and have connections with the government in Manila and Filipino political leaders.⁴²

There are divisions between military (AFP) and civilian authorities over strategy toward the MILF. The AFP favors a more aggressive strategy and is suspicious of a negotiated settlement. The collaboration between elements of the MILF, JI, and Abu Sayyaf also suggests that key MILF commanders may not support any agreement between the MILF leadership and the Philippine government that does not include outright independence for the Muslim areas of the southern Philippines. In that scenario, the MILF could fracture with hardline elements joining even more closely with JI and Abu Sayyaf, which would give rise to a high level of terrorist operations despite a settlement agreement. The Arroyo Administration and presumably the Bush Administration are operating on the assumption that the MILF leadership sincerely wants a peace compromise and opposes collaboration with JI and Abu Sayyaf. However, there is another view that the MILF leadership has a relationship with the hard-line MILF commands similar to that between the political organization, Sinn Fein, and the armed wing of the Irish Republican Army. According to this view, the MILF leadership is acting as a front for the hard-line commands, shielding them from moves against them by the Philippine government and the AFP.⁴³

U.S. Policy Toward the MILF

The Bush Administration has expressed growing concern over MILF links with JI and JI's use of the Mindanao-Sulawesi corridor as well as doubts about the RP government's ability to end Muslim terrorism on Mindanao.⁴⁴ The United States

⁴¹ Abuza, Zachary. Status of the GRP-MILF Talks. January 14, 2007. Arguillas, Carolyn. Will new proposal break the impasse? MindaNews (internet), November 15, 2006.

⁴² Quimpo, Nathan Gilbert. The US and the Southern Philippines' Quagmire. Working Paper No. 144. Perth, Australia, Murdoch University. p. 7-9.

⁴³ Commentary on ABC Radio News, December 28, 2005.

⁴⁴ In April 2005, U.S. Embassy Charge d'Affairs in Manila, Joseph Mussomeli, caused an uproar among RP officials when he stated that parts of Muslim Mindanao, with its poverty, (continued...)

government has considered placing the MILF on the U.S. list of terrorist organizations. However, the Arroyo Administration has opposed such a move as potentially jeopardizing the peace negotiations.⁴⁵ Recently, the Bush Administration also has voiced support for the Philippine-MILF peace negotiations as the best means of de-linking the MILF from JI.⁴⁶ This support boosts the Arroyo Administration's position against the AFP's advocacy of a militarily-aggressive strategy toward the MILF. Moreover, a breakdown of the negotiations and the cease-fire likely would confront the Bush Administration with policy decisions regarding a U.S. role in a wider war. The AFP could be expected to propose increased supplies of U.S. arms and military equipment; and it likely would argue for a more direct U.S. military role. The Philippine government might change its previous policy of opposition to a U.S. military role against the MILF and encourage U.S. actions against the MILF similar to those in the joint exercises against Abu Sayyaf.

However, if significant elements of the MILF opposed a peace agreement and moved closer to JI and Abu Sayyaf, and if they were able to continue or expand terrorist operations, the Bush Administration would be faced with a different kind of challenge, but one that could include similar pressures for greater U.S. military involvement. There also would be the challenge of maintaining the U.S. commitment of financial aid to support a settlement. This commitment, too, could confront the Administration with a policy decision of whether or not to employ U.S. pressure on the Philippine government to implement faithfully its obligations under a peace agreement. This scenario is plausible, given the reputed poor performance of Philippine governments in implementing the 1977 and 1996 agreements with the MNLF.

Philippine Communist Party (CPP)

The CPP has directed an insurgency under its New Peoples' Army (NPA) since the late 1960s. NPA armed strength reached over 25,000 in the early 1980s and was a factor in the downfall of President Ferdinand Marcos in 1986. After Marcos fell and democracy was restored, the NPA declined in strength. However, in recent years, the insurgency has made a slight recovery, reaching an estimated armed force of 8,000 in 2004-2005 and operating in 69 of the Philippines' 79 provinces.⁴⁷

⁴⁴ (...continued)

lawlessness, porous borders, and links to regional terrorist groups, could develop into an "Afghanistan-style" situation. In May 2005, U.S. Ambassador to the Philippines, Francis Ricciardone, referred to Cotabato province in southern Mindanao as a "doormat" for Muslim terrorists.

⁴⁵ Abuza, Galik-Terrorism: The Return of the Abu Sayyaf, p. 42. Gloria's powers of persuasion. *Far Eastern Economic Review*, December 12, 2002. p. 10.

⁴⁶ Asia Security Monitor No. 147, November 30, 2005. U.S. Says Peace Deal in Manila May Pressure JI. Reuters News, October 22, 2005.

⁴⁷ Hepinstall, Sonya and O'Callaghan, John. Interview — Communists Pose Biggest Threat to Philippines. Reuters News, January 10, 2006.

Estimated strength in mid-2007 was 7,000.⁴⁸ The CPP also has called for attacks on American targets. In August 2002, the Bush Administration placed the CPP and the NPA on the official U.S. list of terrorist organizations. It also pressured the government of the Netherlands to revoke the visa privileges of Communist Party leader, Jose Maria Sison, and other CPP officials who have lived in the Netherlands for a number of years and reportedly direct CPP/NPA operations. In December 2005, the European Union placed the CPP/NPA on its list of terrorist organizations. This could place greater pressure on the Netherlands government to restrict Sison's communist exile group. In June 2007, the Commander of the U.S. Pacific Command, Admiral Timothy Keating, offered a more direct U.S. support role in AFP operations against the NPA.⁴⁹

Foreign Relations

RP-U.S. Security Ties and Military Relations

The Republic of 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. In 1991, the Philippine Senate voted 12-11 to revoke the Military Bases Agreement between the RP and the United States. However, in 1995, President Ramos invited U.S. forces back on a limited basis, partially in response to China's occupation of Mischief Reef (Spratly Islands) in the South China Sea. The Philippines and China each claim sovereignty over Mischief Reef, which is one of approximately 100 reefs and islands disputed by five Southeast Asian countries. A Visiting Forces Agreement (VFA) allowing joint Philippine-U.S. military operations was signed by the two countries in 1998 and ratified by the RP Senate in 1999, despite protests by the Catholic Church of the Philippines, leftists, and other groups. In January 2000, the first annual joint military exercises ("Balikatan" or *Shoulder-to-Shoulder*) between the RP and the United States in five years took place under the VFA.⁵⁰

Following the September 11, 2001 attacks in the United States, Manila offered ports and airports for use by U.S. naval vessels and military aircraft. On March 20, 2003, President Arroyo announced Manila's support for the U.S.-led invasion of Iraq and sent a peacekeeping and humanitarian contingent of nearly 100 soldiers and other personnel. During President Arroyo's official state visit to the White House on May 19, 2003, the United States announced a new \$65 million training program for AFP battalions as well as economic aid for Mindanao, and designated the Philippines a Major Non-NATO Ally.

⁴⁸ Labog-Javellana, Juliet and Mallari, Delfin T. AFP: We can beat NPA rebels without US help. Makati City Inquirer.net, June 29, 2007.

⁴⁹ Ibid.

⁵⁰ Leszek Buszynski, "Realism, Institutionalism, and Philippine Security," *Asian Survey*, Vol. XLII, No. 3 (May/June 2003); Anthony Spaeth, Sally B. Donnelly, and Nelly Sindayen, "Under the Gun," *Time International* (Asia ed.), May 9, 2005.

RP-U.S. Operations on Basilan and Jolo Islands

The 2001 terrorist attacks in New York City and Washington, D.C., prompted concern over Al-Qaeda's links to Abu Sayyaf as well as greater U.S.-Philippine military cooperation. President Arroyo and President Bush agreed on the deployment of U.S. military personnel to the southern Philippines to train and assist the Philippine military against the terrorist Abu Sayyaf group. 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. In February 2002, the United States dispatched 1,300 U.S. troops to provide training, advice, and other non-combat assistance to 1,200 Filipino troops against Abu Sayyaf on the island of Basilan. In consideration of the Filipino Constitution's ban on foreign combat troops operating inside the country, Washington and Manila negotiated special rules of engagement for the Balikatan exercise. U.S. military personnel took direction from Filipino commanders and could use force only to defend themselves.

The Balikatan exercise reportedly resulted in a significant diminishing of Abu Sayyaf strength on Basilan. Abu Sayyaf's estimated manpower fell to 200-400, but it continued to operate in the Sulu islands south of Basilan and in western Mindanao. In addition, the AFP operations improved as a result of U.S. assistance in intelligence gathering, the supplying of modern equipment, and aid in the planning of operations. The United States and the Philippines negotiated a second phase of U.S. training and support of the AFP, beginning in late 2002, with an objective of training light infantry companies for use against both Muslim insurgents and the NPA.⁵¹

Continued Abu Sayyaf bombings led the Defense Department to consider a more extended U.S. assistance program in the southern Philippines, focusing on the Abu Sayyaf concentrations in western Mindanao and on Jolo Island in the Sulu chain. In 2005, the Philippines and the United States developed and implemented combined operations against elements of Abu Sayyaf operating in western Mindanao and Jolo. The operation apparently has three objectives: (1) neutralize Abu Sayyaf-Jeemah Islamiah training; (2) kill or capture leaders of Abu Sayyaf; and (3) root out the Abu Sayyaf forces and organization on Jolo in a similar fashion as the successful campaign on Basilan in 2002. The U.S. role in western Mindanao reportedly involved intelligence and communications support of the AFP, including the employment of U.S. P-3 surveillance aircraft; deployment of Navy Seal and Special Forces personnel with AFP ground units; and rules restricting U.S. personnel to a non-combat role (although such rules normally would allow U.S. personnel to defend themselves if attacked).⁵²

U.S. troops landed on Jolo in 2005. The number of U.S. troops on the island has ranged between 180 and 250. Their mission has been to support 7,000 Filipino troops (ten battalions) on the island against Abu Sayyaf. U.S. military personnel live

⁵¹ Domingo, Bennet S. Subic Rape Case Controversy Overshadows VFA Benefits. *Business World* (Manila, internet version), November 18, 2005.

⁵² Bonner, Raymond and Conde, Carlos H. U.S. and Philippines Join Forces to Pursue Terrorist Leader. *New York Times*, July 23, 2005.

within Philippine military camps and always operate with AFP units. They can use their weapons only when fired upon.⁵³ U.S. military support on Jolo has the following main components:

- Training of AFP battalions in conducting operations. This has emphasized training for night combat.
- Providing equipment to the Philippine battalions, including communications equipment and night vision goggles.
- Providing intelligence-gathering technology to the AFP.
- Providing aerial intelligence reconnaissance to locate Abu Sayyaf units and personnel in Jolo's jungles.
- Conducting civic action programs with the AFP aimed at the local populace. U.S. troops have repaired and built piers for fishermen and have constructed roads, water purification installations, and farm markets. They have renovated schools and provided medical care.
- Support USAID projects on Jolo and on neighboring Tawi Tawi island, including a new market for Jolo town (the market was destroyed by Abu Sayyaf bombing in 2006) and a major pier on Tawi Tawi.

Reports indicate major successes for the AFP operation on Jolo backed by the United States, but Abu Sayyaf has not been eliminated. Abu Sayyaf strength on Jolo is down to an estimated 200-300. It has been pushed back to remote areas on the island. Senior leaders have been killed, including Khadafi Janjalani and Abu Solaiman. However, JI leaders Umar Petek and Dulmatin remain at large on the island. Security has improved in many parts of the island as the AFP has established a permanent presence in many of the areas cleared of Abu Sayyaf. New businesses have emerged in the main towns, and people now venture out at night. The incidence of bombings and ambushes has declined. The attitude of the people of Jolo toward the U.S. military generally has been positive. As on Basilan in 2002, U.S.-conducted and supported civic action projects have been well received by the people.⁵⁴

Another potential U.S. policy decision could come out of the December 2005 agreement among the Philippines, Indonesia, Malaysia, and Brunei for joint maritime patrols in the waters separating them. The agreement specifically covers Mindanao and the Mindanao-Sulawesi corridor. Any future programs to establish maritime interdiction cooperation between the Philippines and its neighbors likely would produce proposals for expanded U.S. military aid and training for the Philippine Navy.

⁵³ Hookway, James. Terror fight scores in the Philippines. *The Wall Street Journal Asia*, June 20, 2007. p. A.

⁵⁴ Ibid. Montlake, Simon. US troops in Philippines defy old stereotype. *Christian Science Monitor*, March 1, 2007. p. 7.

Military Cooperation with Australia

Since 2002, Australia has provided some training to AFP troops and Philippine police. In May 2007, the Philippines and Australia signed a Status of Forces Agreement (SOFA) allowing for joint military exercises under similar conditions as the RP-U.S. Visiting Forces Agreement, including Australian participation in Balikatan. The SOFA, which must be ratified by the RP Senate, does not set the stage for the establishment of Australian military bases in the Philippines.

Philippines-China Relations

The Philippines' relationship with the People's Republic of China (PRC) has improved markedly since the Mischief Reef Incident in 1995. In the past decade, the Philippines has pursued stable and friendly political and economic relations with China, while relying upon the United States and the Association of Southeast Asian Nations (ASEAN) as security and diplomatic counterweights to the PRC.⁵⁵ 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 (DOC), which many hope will evolve into a formal code of conduct that promotes a peaceful resolution. In 2003, China acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC), which renounces the use of force and calls for greater economic and political cooperation. In May 2005, Manila and Beijing signed two agreements aimed at fostering better military and security cooperation, including allowing Filipino soldiers to train in China, annual defense and security dialogues, and Chinese technical assistance to the AFP.

China's economic growth has helped to spur Philippine exports — the RP is running trade surpluses with both China (mainland) and Hong Kong. RP-PRC trade has grown by an annual rate of over 30% in the last three years, according to PRC data.⁵⁶ The Philippines exported an estimated \$19 billion worth of goods to China and Hong Kong combined in 2006, compared to \$9 billion in exports to the United States and \$7.2 billion to Japan.⁵⁷ Major Philippine export items to China include both manufactured and agricultural products, including electronics, machinery, and minerals.⁵⁸ In January 2007, PRC Premier Wen Jiabao and RP President Arroyo signed 20 economic agreements, including a contract for a Chinese company to build

⁵⁵ Carl Baker, "China-Philippines Relations: Cautious Cooperation," Asia-Pacific Center for Security Studies, October 2004.

⁵⁶ China's Trade with the Philippines in November 2006," *Xinhua's China Economic Information Service*, January 18, 2007.

⁵⁷ International Monetary Fund, *Direction of Trade Statistics*, June 2007.

⁵⁸ *Global Trade Atlas*

and renovate railroads, investment in agriculture, and loans for rural development.⁵⁹

U.S. Foreign Assistance

Since 2001, the Philippines, a “front-line state” in the global war on terrorism, has received the most dramatic increase in U.S. foreign assistance in the East Asia-Pacific region, particularly Foreign Military Financing (FMF) (see **Table 1**). The United States Agency for International Development (USAID) also has attempted to address some of the underlying causes of violence in Muslim Mindanao, including lack of rural development and basic education. According to the State Department, 60% of Economic Support Funds (ESF) for the Philippines finance local development programs in Mindanao which are intended to maximize the economic and social benefits of the 1996 peace agreement between Manila and the MNLF.⁶⁰ Such programs would be made available to the MILF as well if a peace agreement with that group is reached. According to some experts, clan and tribal conflicts have hindered economic development and democratic governance in Mindanao and exacerbated tensions between local communities and the government. USAID has funded programs that promote peaceful resolution of disputes and more effective and transparent governance in the region.⁶¹

Table 1. U.S. Assistance to Philippines, 2001-2008
(Millions of U.S. dollars)

Account	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 est.	FY 2008 req.
CSH	9.4	25.6	22.9	28.8	27.1	24.6	24.3	17.5
DA	30.3	24.5	28.2	21.5	27.6	24.2	14.9	22.9
ESF	3.9	33.0	45.0	17.6	30.7	24.7	24.7	25.9
FMF	1.9	44.0	49.8	19.8	29.7	29.7	29.7	11.1
IMET	1.4	2.0	2.4	2.7	3.0	2.9	2.7	1.5
INCLE	0.0	0.0	0.0	2.0	3.9	2.0	1.9	1.1
NADR	0.0	0.9	2.1	0.7	0.6	4.9	4.5	4.4
Peace Corps	1.8	2.4	2.6	2.7	2.8	2.8	2.9	2.7
PKO	0.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0
Totals	48.7	132.4	153.0	110.8	125.4	115.8	105.6	87.1

Source: U.S. Department of State

⁵⁹ “Philippines, China Sign 20 Agreements to Boost Trade,” *Xinhua Financial Network*, January 16, 2007.

⁶⁰ *FY 2007 Congressional Budget Justification for Foreign Operations*.

⁶¹ For further information on some USAID-funded programs in Mindanao, see The Asia Foundation: [<http://www.asiafoundation.org/Locations/mindanao.html>].

Key to Foreign Assistance Acronyms			
CSH	Child Survival and Health	IMET	International Military Education and Training
DA	Development Assistance	INCLE	International Narcotics Control and Law Enforcement
ESF	Economic Support Funds	NADR	Non-Proliferation, Anti-Terrorism and De-Mining
FMF	Foreign Military Financing	PKO	Peacekeeping Operations

Total U.S. assistance to the Philippines in 2004, 2005, and 2006 was \$111 million, \$127 million, and \$116 million, respectively. Of the major funding priorities, about 42% of the aid was allocated for health and development assistance, 28% for military assistance, and approximately 18% for security-related programs using Economic Support Funds (ESF).⁶² Other program areas include human rights, anti-corruption, trade and investment, and environmental management. For FY2008, the U.S. State Department requested \$87 million in assistance to the RP, reflecting a decrease in support for health programs and Foreign Military Financing.⁶³ Some Members of Congress have expressed interest in linking military assistance to the Philippines to the Arroyo government's progress in stemming extra-judicial killings.⁶⁴ The Millennium Challenge Corporation has selected the Philippines as a Millennium Challenge Account (MCA) "threshold country," which qualifies the RP to receive assistance in meeting criteria for full MCA funding.⁶⁵

Filipino Veterans

Many Filipino veterans of World War II, who fought with the U.S. Armed Forces against the Japanese military, claimed that the United States government promised them U.S. citizenship and full veterans' benefits.⁶⁶ However, following the war, congressional legislation granted full veterans benefits only to Regular ("Old") Philippine Scouts while limiting eligibility among three groups — the "New" Philippine Scouts, Recognized Guerrilla Forces, and Commonwealth Army of the

⁶² For further information, see CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

⁶³ The Senate version of H.R. 2764, Department of State, Foreign Operations and Related Programs Appropriations Act, 2008, would grant \$30 million in FMF for the Philippines in FY2008. See Senate Report 110-128.

⁶⁴ "U.S. Senate Wants Military Aid to RP Tied to Human Rights," *The Filipino Express*, March 19-25, 2007.

⁶⁵ The MCA program links development assistance to a country's performance in "ruling justly, encouraging economic freedom, and investing in people." [<http://www.mca.gov/>]

⁶⁶ "Filipino WWII Veterans Still Waiting for Benefits," *The Oakland Tribune*, August 15, 2005.

Philippines. Congress expanded benefits to these three groups over the years. In December 2003, the Bush Administration signed a measure that extended Veterans Affairs health benefits to all Filipino veterans living in the United States. Filipino veterans organizations continued to push for legislation that would provide more complete veterans benefits, including health care to veterans living in the Philippines. In 2007, fewer than 20,000 of 200,000 Filipino WWII veterans reportedly were still alive, including 10,000 residing in the United States, according to some estimates.⁶⁷ Two measures have been introduced in the 110th Congress, H.R. 760 and S. 57, that would grant full veterans benefits to the New Philippine Scouts, Recognized Guerrilla Forces, and Commonwealth Army of the Philippines, similar to those received by U.S. veterans and “Old” Philippine Scouts.⁶⁸ Two other measures, H.R. 1287 and S. 671, would exempt children of certain Filipino World War II veterans from the numerical limitations on immigrant visas. Provisions of S. 671 were incorporated into S. 1348, the Comprehensive Immigration Reform Act of 2007, as Amendment No. 1186 (Akaka Amdt.).

⁶⁷ Estimates of the number of living Filipino WWII veterans vary widely, from roughly 13,000 to 50,000. Estimates of the number of such veterans living in the United States range from 7,000 to 30,000.

⁶⁸ See CRS Report RL33876, *Overview of Filipino Veterans’ Benefits*, by Sidath Viranga Panangala, Christine Scott, and Carol D. Davis.

Time Line: Major Historical Events

1542: Spaniards claim the islands and name them the Philippines.
1890s: Insurgency against Spanish rule
1898: Spanish-American War — Spain cedes the Philippines to the United States
1899: Insurgency against U.S. rule
1935: Plebiscite approves establishment of Commonwealth of Philippines; Country is promised full independence in ten years
1941: Japan invades
1944: U.S. forces retake islands
1946: Philippines granted full independence
1965: Ferdinand Marcos becomes president
1969: Muslim separatists begin guerrilla war
1972: Marcos declares Marshall Law
1983: Opposition leader Benigno Aquino assassinated
1986: Corazon Aquino assumes presidency following “People Power” protests
1989: Coup attempt suppressed
1992: Aquino’s defense minister, Fidel Ramos, wins presidency. United States closes Subic Bay Naval Station
1996: Philippines government reaches truce with Moro National Liberation Front (MNLF)
1998: Film star Joseph Estrada elected President
2000: Impeachment proceedings begin against Estrada on allegations of corruption and violation of the constitution
2001(January): Amid mass street protests, Estrada’s vice-President, Gloria Macapagal-Arroyo, is sworn in as President. Estrada is arrested for plundering state funds
2001 (March): Moro Islamic Liberation Front (MILF) declares cease fire
2002: Philippines and United States hold joint military exercises
2002: Terrorist bombs detonate in Manila and Zamboanga city, killing ten persons
2003 (July): RP government signs cease fire with MILF
2003 (July): RP soldiers (AFP) seize shopping center in mutiny
2004: Peace talks between government and NPA start but are later called off
2004 (June): Macapagal-Arroyo wins Presidential election
2004 (July): Philippines withdraws peacekeeping troops from Iraq
2005: Heavy fighting between AFP and MILF breaks cease fire
2005: President Arroyo comes under pressure to resign over allegations of vote-rigging
2006: President Arroyo declares week-long state of emergency following alleged discovery of coup plot.

Figure 1. Map of The Philippines



Source: Map Resources. Adapted by CRS. (K.Yancey 7/27/05)