

## US POLICY TOWARDS SOUTHEAST ASIA AND THE PHILIPPINES: POLITICAL CHALLENGES AND ECONOMIC PROSPECTS

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### JOHN D. NEGROPONTE

DURING MY DAYS IN HONG KONG, challenges in Southeast Asia centered on Cold War-era competition in a region where recently independent countries were trying to find their footing. They faced daunting tasks in confronting revolutionary ideology and insurgency, crafting systems of governance, and promoting socio-economic development. Over the decades, the dynamics evolved from “insurgency to stability” and from “aid to trade.” The challenge embedded in this evolution today is to enhance stability. The opportunity lies in promoting trade. The dynamics are reinforcing. Stable bilateral and multilateral relationships are essential for smooth trade flows. And, of course, the reverse is true. Instability scares away investment and inhibits trade expansion.

### ON MARITIME DISPUTES

In sifting through the many challenges shared by the United States and the Philippines today, let’s consider three areas of concern.

First is the South China Sea jurisdictional disputes. Confrontation over maritime claims from Northeast Asia to the South have a disruptive potential that could spark conflict and change the tone of regional political relationships from one of cooperation to rivalry. They represent unre-



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*Ambassadors Negroponte, Hubbard, and Murphy were the guest speakers at the joint membership meeting of the Makati Business Club, Philippine-United States Business Council, and the US-Philippines Society held on 30 January 2015 at the Peninsula Manila in Makati City. Published here are excerpts from the keynote speeches*

solved problems which, if not managed properly, could lead to serious miscalculations. The Philippines and the United States share an interest in maintaining cooperative ties with China, while at the same time pursuing maritime policies aimed at preserving freedom of navigation, adherence to a Code of Conduct, and support for a “rules-based” settlement of claims disputes.

In a position paper released last month [as a “indirect” response to proceedings at the ongoing arbitration tribunal, China carried forward the misguided assertion that “historic rights” can serve as justification for the so-called “nine-dash

line" claiming virtually all of the South China Sea as part of Chinese territory. At the same time, China persists with the position that it will not formally participate in the arbitration case.

South China Sea disputes are a concern not only for claimants but for ASEAN and all Pacific countries, including the United States, that support freedom of navigation and depend on open sea lanes for strategic and commercial activities.

US policy on the South China Sea has evolved over the past two decades from what was sometimes characterized as a "non-position" to one of far greater engagement. When I served here as ambassador, I recall how the 1995 Mischief Reef dispute set off alarm bells. We encouraged Washington to pay attention and established a pattern of close consultation with our Philippine allies. Since then, the US has made discussion of conduct in the South China Sea part of our regular dialogue with both China and the Philippines. It was important

for the US to support our Philippine ally then, and it is even more critical to show support now.

For reasons both practical and principled, the United States backs a claims settlements process based on recognized maritime law related to land features, not historic claims, as reflected in the United Nations Convention on the Law of the Sea. As the claims are addressed, however, a recommitment to the 2002 Declaration on a Code of Conduct offers the best way to reduce tensions and avoid the risk of escalation.

I salute the smart policy course toward arbitration taken by President Aquino and Secretary Del Rosario, a determined and enlightened approach with broad bipartisan support in Washington that is also gaining appreciation by other claimants. For example, just last month I understand Vietnam made a formal submission to the Arbitral Court in support of the Philippine position.

#### **SUSTAINING THE REBALANCE**

With a mission to restore the American economy while meeting a

seemingly endless array of foreign policy challenges across the globe, some have questioned whether it is realistic or even possible for the Obama Administration to follow-through with a meaningful rebalance of priorities toward the Asia-Pacific region.

We all know the reasons behind the "pivot." Asia is the global demographics leader; it is a global growth center with markets and opportunities for integrating production and services for international markets; it is largely stable—despite maritime tensions and problems with North Korea; America is a Pacific nation that contributed to Asia's successful growth in the post-war period; a re-emphasis on an Asia-Pacific presence can help underpin continued regional stability. In short, the Asia Pacific region has become the demographic and economic epicenter of the world.

But, as the policy was articulated, some on both sides of the Pacific raised questions about the actual content of the pivot. What sort of

#### **ABOUT THE SPEAKERS**

### **JOHN D. NEGROPONTE**

Ambassador John Negroponte has had a distinguished career in diplomacy and national security, having held numerous government positions overseas and in Washington DC from 1960 and 1997, and from 2001 to 2008. During those years, he served as US Ambassador to the Philippines, Honduras, Mexico, Iraq, and the United Nations. He was twice served on the National Security Council under the Nixon and Reagan Administrations, and was Director of National Intelligence during the term of President George W. Bush. ■

### **THOMAS C. HUBBARD**

After concurrently serving as US Ambassador to the Philippines and Palau from 1996 to 2000, Ambassador Thomas Hubbard was appointed as US envoy to South Korea from 2001 to 2004. He was also formerly the Deputy Assistant Secretary of State for East Asian and Pacific Affairs in Washington DC from 1993 to 1996, and Deputy Chief of Mission at the US Embassy in Manila from 1990 to 1993. Prior to those stints, he held numerous posts at the State Department, including assignments in the economic and political sections of the US Embassies in Tokyo, Japan and Kuala Lumpur, Malaysia. ■

### **RICHARD W. MURPHY**

Ambassador Richard Murphy has a 34-year career in the US Foreign Service, serving in various capacities in the Middle East, prior to coming to Manila as US Ambassador from 1978 to 1981. From 1968 to 1971, he was the country director for the Arabian Peninsula and director of personnel for the Bureau of Near Eastern Affairs. Between 1983 and 1989, he was Assistant Secretary of State for Near East and South Asian affairs, during which he was active in the Israeli-Arab peace process. Besides the Philippines, he also served as ambassador to Mauritania and Saudi Arabia. ■

tangible steps would be taken to increase military power projection capabilities; would it bring new energy behind a push for trade agreements; more US “soft power” to promote good governance and human rights, more development aid, more visits and high level engagement that would be a prerequisite for successfully addressing regional problems. Skepticism was growing that expectations would be unfulfilled and a loss of credibility would follow, chipping away at America’s standing and influence here even as it promised more focus on Asia.

With some of those expectations, questions are still around, but my sense is that America’s standing in the Asia-Pacific remains solid. Two factors contribute to this. First, our alliance partners and others from Northeast to Southeast Asia view the US as a “balancer of choice” against what they worry is a resurgent China. Second, the American economy has shown its strength through a much faster recovery than in other parts of the world and remains the global leader in innovation and market opportunities.

The economic side of the “pivot” has become embodied in TPP, the Trans-Pacific Partnership free trade negotiations. But, even outside TPP discussions the administration has accorded high level attention to our regional trade and investment partners, including the Philippines. Last June’s visit by Commerce Secretary Penny Pritzker was a clear signal that the administration is looking for ways to promote US business ties. As part of that delegation, I observed firsthand how she advocated effectively and came away with a better understanding of where the opportunities lie for improving trade ties. Moreover, Secretary Pritzker articulated the reasons why economic engagement is fundamental to a comprehensive and meaningful US “rebalance.”

It is through the level, frequency, and fields of engagement that policies embodied in the concept

of a rebalance or “pivot” will be judged. And, you understand how important “staying engaged with people” is in the Asian context. Non-government, private sector ties, through businesses or organizations like the US-Philippines Society serve to complement official efforts to keep attention in the US on this dynamic region. So, I encourage you to build on a year of productive bilateral exchanges by supporting more of the same in 2015, when the APEC Leaders Meeting this fall will offer a capstone opportunity. Your voices do make a difference in helping leaders maintain focus.

### ADDRESSING CLIMATE CHANGE

A third set of challenges we face is dealing with the impact of climate change, responding to natural disasters, and building resilience. Make no mistake, these are political issues that require policy attention. These challenges are especially acute in the Philippines and will become an increasingly important part of our bilateral agenda.

At the international level, the Philippines is a strong, progressive voice in support of efforts to meet the global challenge of climate change. The Philippine government cooperated closely and successfully with the U.S. during the recent UN Conference in Lima, Peru, and we can expect bilateral cooperation in this area to continue.

The response to Haiyan over the past year was in many ways a model of cooperation, bringing international partners together with the considerable human and material resources of the Philippines to assist victims and their families in the recovery. The United States responded quickly and effectively with nearly \$90 million in assistance and critical military airlift that brought 20,000 survivors to safety and delivered tons of relief supplies in the immediate aftermath.

These capabilities, so graphically demonstrated after Haiyan, are now an important element in the overall bilateral security cooperation equation. Arrangements



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under the Enhanced Defense Cooperation Agreement on humanitarian assistance and disaster relief illustrate both the seriousness of the natural disaster threats and the policy level attention now being accorded to those threats.

### OPPORTUNITIES

Meeting challenges creates opportunity. Three areas come to mind as we address Philippine-US economic relations.

First is a new climate of opportunity for business to succeed, matching innovative technologies with Filipino skills. Let me point to some “Good News Stories” to illustrate the point and perhaps encourage by example. When I was posted here in the mid-90s, bases at Subic and Clark had just closed; activity had ceased. Now, just 20 years later, they have been transformed into thriving commercial and transportation hubs. In the heyday of military operations, those bases had about 45,000 Filipino employees. Today, the number in the two economic Freeport Zones is roughly 175,000. Combine that with an annual export value of \$5.5 billion, and you have a success story.

Opportunities abound in sectors across the economy, including energy, services, mining, tourism, real estate and more.

But, there is growing buzz about infrastructure needs in the Philippines and throughout the region. It is estimated that over the next five years, ASEAN countries will require more than \$1 trillion in infrastructure investment to meet the demands of a growing population. The Aquino Administration has flagged infrastructure as a priority. The Millennium Challenge Corporation is moving ahead with a second compact here that will provide additional business opportunities and help attract investment.

Second, countries in the region are deepening trade and investment ties and expanding prosperity through multilateral initiatives like TPP, a cornerstone of the American rebalance with Asia. [President Obama asked Congress] for trade promotion authority to negotiate TPP and a proposed Trans-Atlantic trade deal. With the United States Congress now under Republican leadership, the chances for approval of President Obama's request are good. While the US is focused on concluding TPP with current partners, there will be scope for future expansion. Benefits of TPP membership in terms of export and GDP growth are substantial, and I expect the Phil-

ippines will want to become part of this 21st century trade agreement.

A third opportunity lies in using the APEC process to support shared Philippine-US goals as we look ahead to the November APEC Leaders Meeting here in Manila. During this APEC year, the US has indicated it would like to explore ways to work with the Philippines to "expand corporate responsibility practices" and "promote inclusive economic growth" in the region. APEC is a unique and central feature of the Asia-Pacific architecture, and we need to ensure that it continues to enjoy public understanding and political support across the Pacific.

### CONCLUSION

At a US-Philippines Society event in New York honoring Foreign Secretary Del Rosario, I argued that "the Philippines is the logical partner for the US to anchor its ties to the ASEAN region."

Economic and security dimensions of the relationship are robust but do need tending. Meeting the challenges and realizing the opportunities reviewed here today require continued engagement, along with a clear-eyed vision of what can get in the way. Our two countries have come a long way in forging a 21st century relationship. This year marks the 110th anniversary of the Taft Mission to Asia with stops throughout the Philippine archipelago in 1905 led by the American Secretary of War that included a large delegation from the House and Senate. Some called it the "Imperial Cruise." We will also observe the 70th anniversary of the liberation of Manila and the end of World War II, which opened the way at mid-century for re-building and ushered in a new phase in bilateral partnership between independent nations.

Our 21st century ties are shaped by shared experience, but are not hostage to the past.

New mutual security arrangements will be adapted to mod-

ern requirements to meet today's challenges in the maritime and cyber domains, and to counter terrorist threats.

Business innovation and economic growth will produce ever greater opportunity, with benefits reaching more families here and throughout the Asia-Pacific community.

The task before us then is to steer a steady course of engagement—at the official level, through the private sector, and people-to-people exchanges—to meet today's challenges effectively and reap the benefits of opportunity for us and generations to come. ■

THOMAS C. HUBBARD

ONE OF THE THINGS THAT MAKE me happy to be here this 2015 is a recollection that it was in 1996 when the Philippines last hosted APEC, when John [Negroponte] left and I arrived just in time to carry on the important work that he had done.

I deal with McCarthy and Associates with Asia, principally working not just in Southeast Asia but also with Northeast Asia. And obviously, Northeast Asia is a big part of our approach to the region and a big part of the so-called "rebalance." But one thing that I've really been impressed by the Obama Administration is the increasing focus on ASEAN as a united entity, and as a way of enhancing our ties with Southeast Asia, which many of us had wanted to see for some time.

But there are other disputes and issues in East Asia, most of them revolving in some fashion, the rise of China and its implication to the broader region. And we not only have the [maritime tensions] in Southeast Asia, but also in Northeast Asia, where China has been behaving recklessly with Japan over the Senkaku Islands. We also have Japan-South Korea disputes, which are very troubling because both countries are allies of ours and partners in so many ways.

Another trend that I have been proud to see in Southeast Asia is

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THOMAS C. HUBBARD

the fact that both Japan and Korea are increasingly acting to support our common security interest in the Philippines, with both Japan and Korea providing military equipment, supplementing what we have been able to do, and clearly supporting the Philippines in its concern about territorial disputes.

We still have the acute situation in the Korean peninsula. Earlier, the Sony hacking was mentioned and that is only one aspect of the North Korea challenge, but it is a very important one. We also have the continuous challenge of the nuclear program and missiles programs to go along with it.

But I would like to return briefly to TPP. One of the things that I think is very important about TPP is that it aims to, at this stage, bring up the third largest economy in the world, Japan, into a broader and meaningful system of free trade for the first time. I think that's good for us. I think it's good for the Philippines, if it finds a way to join this process, which we would very much welcome going forward. And I think it is also an opportunity to set an example for China and, as said by President Obama, suggested to bring China into a broader rules-based system, which would redound to all our benefits. ■

## RICHARD W. MURPHY

I CAME HERE [AFTER BEING ambassador to] Syria and left here for Saudi Arabia, and spent the next several years on Middle Eastern issues. So, let me just say about its relevance to the Philippines and how I see the current state of affairs in the area.

You have many thousands of workers in the Middle East and the Arab World. The last figures that I saw said that the Arab World had slightly more than half the number of Philippine workers abroad in Asia. They're doing well; they're very much respected and desirable on the job market there.

The other issue which is a little more relevant right now is oil. The



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news that is very much pleasing to our government is that the oil price is down. The same news is pleasing to your gas guzzlers, who are able to be out in the streets much longer and more frequently. Well, oil prices will not stay down; they will find their way back up again.

The area itself is in an incredible state of turmoil. The outburst of enthusiasm that was characteristic of four years ago when the Arab Spring started has cooled down. And there are so many moving pieces out there that it's not clear what the future direction of the pace of change is going to be.

The major demonstrations in Cairo was very exciting for American ears, and what the press focused on was that [Egyptians] seem to be younger, more secular in their thinking, calling for freedom, calling for democracy. Three years ago, some of those same voices are still in the Cairo prisons. The older patterns of government have persisted—and in some cases have been revived—that Egypt has returned to a strong military enforced rule. The conservative families rule in Saudi Arabia and they are coping well in terms of being able to spend money to keep the pressures of the apparent revolution, pressures of the Muslim brotherhood at bay.

But, in a sense, it's a very dis-

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*The Makati Business Club invites guest speakers to its General Membership Meetings and MBC Briefings to discuss public issues and trends, whether local or global, that have an impact on Philippine development. MBC Forum highlights the speeches and discussions at these gatherings. The full text of speeches and other presentations may also be found at the MBC website, [www.mbc.com.ph](http://www.mbc.com.ph).*

mal picture: The young people that went out to hail the change, came out of frustration, out of joblessness, out of hope thought that a brave, new world was suddenly going to burst upon them. Well, it hasn't worked for them.

In Iraq, the struggle of Sunni and Shi'a for dominance continues. Syria has disintegrated as a country. The uneasiness and instability that have caused the evacuation of their homes, of their country by Syrians is now a crushing burden on the countries of Lebanon and Jordan.

The Islamic State has replaced al-Qaeda as the leading object of concern in Western capitals, and the concern is that will burn up as a movement. It's not the first time in history that a self-proclaimed caliph—and this particular caliph is relying on military skills and capabilities of a highly secularized officer corps of Saddam Hussein, who was ousted in power back in 2003—are without a job and are trying to re-establish their role in Iraqi society. ■

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