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Report RL33233

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

Thomas Lum and Larry A. Nicksch, Foreign Affairs, Defense, and Trade Division

August 10, 2007

**Abstract.** 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.

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

**Thomas Lum**  
Specialist in Asian Affairs

**Larry A. Nicksch**  
Specialist in Asian Affairs

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## Summary

The United States and the Republic of the Philippines (RP) maintain close ties based upon historical relations, common interests, shared values, and the large Filipino-American population. Although the United States closed its military bases in the Philippines in 1992, bilateral military cooperation resumed following territorial disputes between the Philippines and China in 1994 and the launching of the Global War on Terrorism in 2002. Major U.S. policy objectives in the Philippines include: bolstering the Philippines as a strong U.S. ally in Southeast Asia; assisting the Armed Forces of the Philippines (AFP) in counterterrorism efforts; supporting the peace process in Mindanao; helping the AFP to modernize its equipment and adhere to democratic principles; and providing assistance for political and economic development. Since 2001, the Philippines has received the most dramatic increases in U.S. foreign aid in Southeast Asia, largely for counterterrorism purposes, including not only military assistance but also health, education, and economic assistance in Mindanao.

The Philippines faces terrorist threats from several groups, including Jemaah Islamiyah (JI), the main Southeast Asian Islamic terrorist organization with reported ties to Al Qaeda, and Abu Sayyaf, a small, violent Muslim separatist group which operates in the southern Philippines. The Moro Islamic Liberation Front (MILF), a Muslim separatist group with an estimated armed strength of over 10,000, seeks a homeland with a high degree of autonomy in Muslim-majority areas of Mindanao. Since 2002, the United States has provided non-combat assistance in joint military exercises which have helped to significantly reduce the size of Abu Sayyaf. Nonetheless, Abu Sayyaf continues to operate through its growing cooperation with JI and some factions of the MILF. In August 2008, the Philippine government and the MILF signed a Memorandum of Agreement setting up a framework for expanded autonomy in Mindanao. However, Christian politicians from Mindanao filed a suit with the Philippine Supreme Court, which ruled the accord unconstitutional, unleashing a period of fighting between MILF and government forces.

While the United States remains the dominant foreign military, political, economic, and cultural influence in the Philippines, China has become a major—perhaps the largest—source of financing for infrastructure, energy, and agricultural development and arguably has engaged in more active diplomacy. Some U.S. and RP policy makers have expressed concern regarding China’s growing “soft power” and the perceived lack of U.S. comprehensive attention to Philippine and regional issues.

The United States has an interest in promoting stable and effective democratic governance in the Philippines. President Gloria Arroyo has faced at least three coup attempts and four impeachment bids. Pervasive official corruption and a wave of politically-motivated killings of mass media personnel and extrajudicial killings of leftists and social activists have created an impression of lawlessness. Two independent investigations into the extrajudicial killings conducted in 2006-2007 implicated the Philippine Armed Forces. This report will be updated periodically.

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## Overview

The United States and the Republic of the Philippines (RP) maintain close ties stemming from the U.S. colonial period (1898-1946). Although the United States closed its military bases in the Philippines in 1992 (Subic Naval Base and Clark Air Base), cooperation in counterterrorism efforts has brought the two treaty allies closer together. During President Gloria Macapagal-Arroyo's state visit to Washington in May 2003, the Bush Administration pledged increased military assistance and designated the Republic of the Philippines as a Major Non-NATO Ally.<sup>1</sup> The main pillars of the bilateral relationship are the U.S.-RP security alliance, counterterrorism cooperation, trade and investment ties, democratic values, and extensive people-to-people contacts. Filipino-Americans number approximately three million, making them the second-largest Asian-American group in the United States, and comprise the largest number of immigrants in the U.S. armed forces. An estimated 250,000 Americans live in the Philippines.<sup>2</sup> Despite general agreement on the importance of U.S.-RP relations and the war on terrorism, bilateral frictions occasionally have arisen as Philippine foreign policy has become more independent and assertive regarding RP sovereignty and self-interests or driven by domestic political pressures. Furthermore, areas of cooperation have narrowed somewhat since 2001. According to some analysts, Manila has begun to define its security needs in a more multilateral rather than bilateral context, while the United States government has been accused of viewing the Philippines and the Southeast Asia region largely through a prism of terrorism.<sup>3</sup>

## Policy Issues for Congress

Broad U.S. policy objectives include: maintaining the U.S.-RP alliance; assisting the Armed Forces of the Philippines (AFP) in counterterrorism efforts; supporting the peace process in Mindanao; supporting AFP modernization and administrative reform; promoting broad-based economic growth; and helping the Philippines to develop stable and responsive democratic institutions. The United States may have reached a crossroads where it faces fundamental policy questions regarding its policies toward the Philippines. These include: whether to continue current levels of military and development assistance despite unabated political violence and instability; whether to press for a more aggressive role for U.S. military forces in counterterrorism operations, despite the potential for aggravating tensions in Mindanao and other regions in the south or provoking anti-U.S. sentiment among some groups; and whether to assume a role in the MILF-RP government peace process, despite the lack of a clear outcome.

Some policy makers have questioned the effectiveness of seven years of significantly increased U.S. assistance to the Philippines, which they argue have not fundamentally altered the dynamics of the insurgency in Mindanao and widespread economic disparities and political instability. Other analysts argue that raising funding levels for Foreign Military Financing (FMF), anti-

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<sup>1</sup> 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.

<sup>2</sup> Asian Nation <http://www.asian-nation.org>; Migration Policy Institute (September 2008) <http://migrationinformation.org/>; Department of State, "Background Note: Philippines," October 2008.

<sup>3</sup> Herman Joseph S. Kraft, "The Philippine-U.S. Alliance: A Strategic Partnership in Tactical Mode," Center for Strategic and International Studies, *Southeast Asia Bulletin* (October 2008).

terrorism assistance (NADR), and military training (IMET) to the Philippines would help the AFP to fight terrorist and separatist groups as well as promote democratic principles in the military.

Some observers contend that the United States should pay more attention to the underlying causes of terrorism and separatist insurgency in the Philippines, such as the poverty and official corruption. They advocate increasing funding for U.S. development and other aid programs, especially in Muslim areas of Mindanao, that help provide for economic development, education, government accountability, and conflict mitigation programs. They also support U.S. military involvement in local infrastructure projects (civic action programs).

The United States has an interest in promoting stable and effective democratic governance in the Philippines. While Filipinos enjoy a high degree of civil liberty, political leaders are freely scrutinized, and elections are largely free, corruption, political violence, and the lack of civilian control over the military continue to present major and in some cases growing challenges to Philippine democracy. Politically-motivated acts of violence against journalists and other mass media personalities and extrajudicial killings of individuals linked to leftist groups have risen since Gloria Macapagal-Arroyo assumed the presidency in 2001. The United States government has attempted to help address the problems of corruption and extra-judicial killings largely through its foreign assistance activities. U.S. programs related to political killings 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 Consolidated Appropriations Act for FY2008 placed conditions on a portion of military assistance in order to help compel the RP government to address this issue.

Some Philippine leaders and U.S. policy analysts have called for broader U.S. engagement (beyond counterterrorism cooperation), in part to counter China's growing influence in the RP. The United States is the largest bilateral source of foreign direct investment and the second largest bilateral provider of official development assistance in the RP after Japan. The United States remains the RP's largest trading partner, although bilateral trade contracted slightly in 2007, while RP-China trade continued to expand rapidly. When Hong Kong is included, however, RP-China/Hong Kong trade now exceeds RP-U.S. trade.<sup>4</sup> In the past few years, China has become a major sponsor of infrastructure, energy, agriculture, and mining development in the Philippines. The RP reportedly is the largest recipient of PRC loans in Southeast Asia. Some observers argue that although most RP leaders do not want Chinese economic assistance to come at the expense of U.S. friendship, Philippine reliance on China may potentially conflict with U.S. priorities in the RP.

## Political Developments

Since 2005, President Arroyo has faced popular protests calling for her resignation, at least three coup attempts by elements of the Philippine military, and four impeachment bids (three have failed and a fourth is not expected to prevail). She won the presidential election of 2004 (a non-renewable six-year term), after having already served for three and one-half years, but subsequently was accused of attempting to rig the election.<sup>5</sup> In October 2008, the President's

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<sup>4</sup> *Global Trade Atlas*.

<sup>5</sup> The basis of the accusation was a recorded telephone conversation of Arroyo with a member of the Commission of (continued...)

approval rating stood at 27%, with 54% dissatisfied with her performance.<sup>6</sup> The government's successful fiscal reforms, lack of popular leadership alternatives, support from the top ranks of the military, and relative quiet of the Catholic church of the Philippines, have helped to prevent opposition movements from gathering momentum. Likely top contenders to succeed Arroyo in 2010 include: Vice President Noli de Catro; former Senate President Manuel B. Villar (Nacionalista Party); Senator Loren Legarda (Genuine Opposition coalition), and Senator Manuel "Mar" Roxas II (Liberal Party).<sup>7</sup>

On the one hand, RP citizens enjoy a high level of political freedom, including a robust civil society, while the legislative and judicial branches exert checks upon the presidency. On the other hand, Philippine politics are plagued by corruption and cronyism, and power is concentrated in the hands of entrenched socio-economic elites. One analyst describes the Philippines as a "weak state ... captured by strong interests."<sup>8</sup> Another rising concern among some opposition and civil society groups is the growing influence of the Philippine security forces in the Arroyo Administration, exemplified by the number of armed forces and police officials appointed to high level positions in government. They argue that Arroyo has thereby attempted to bolster her strength both within the military itself and vis-a-vis opposition groups; in return for the military's support, the President has protected the security forces from charges of corruption and human rights abuses.<sup>9</sup> Freedom House characterizes the Philippines as "partly free"—its rating of political rights falling from 3 to 4 (on a scale of 1 to 7) in 2008 due to allegations of corruption and political killings.<sup>10</sup> The Economist Intelligence Unit (EIU) ranks the RP 77<sup>th</sup> out of 167 countries in terms of democracy, owing largely to ongoing corruption and attempted military coups. However, the EIU scores the Philippines high on the electoral process, pluralism, and civil liberties.<sup>11</sup>

The Philippine legislature acts as a "watchdog" toward the executive branch, but historically has had difficulty articulating and carrying out broad policy options and programs. Political parties and groupings tend to be fragmented and shifting, driven more by individual personality or geographic and sectoral interests than by unifying ideologies, platforms, and policy goals. The public often elects and places its trust in charismatic leaders, who distribute the spoils of victory to their cronies.<sup>12</sup>

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(...continued)

Elections prior to the voting. According to reports, in the call, she told the commissioner that she wanted to secure a "one million vote margin," and he expressed support for her wish. In June 2005, President Macapagal-Arroyo publicly apologized for a "lapse in judgment" but vowed to remain in office. Paul Alexander, "Support for Philippine President Crumbles," *Washington Post*, July 8, 2005.

<sup>6</sup> "Philippine President Arroyo Looking Better in Poll," *Gulfnews.com*, October 14, 2008.

<sup>7</sup> Alexis Douglas B. Romero, "DeCastro Still Top Pick but Villar Narrows Gap (2010 Elections)," *BusinessWorld*, November 7, 2008.

<sup>8</sup> Mely Caballero-Anthony, "U.S.-Philippine Relations after the Iraq Crisis," *PacNet No. 35*, August 19, 2004.

<sup>9</sup> Joel D. Adriano, "Arroyo's Risky Politics of Patronage," *Asia Times Online*, December 9, 2008.

<sup>10</sup> Freedom in the World Survey <http://www.freedomhouse.org>.

<sup>11</sup> Economist Intelligence Unit, *Country Profile 2008 (Philippines)*.

<sup>12</sup> Alex Magno, "The Perils of Pedestals," *Time Asia*, July 11, 2005.

## 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. An estimated 116 people were killed and 121 were wounded in election-related violence.<sup>13</sup> However, according to some observers, the 2007 elections were carried out honestly overall and represented an improvement over the 2004 elections. President Arroyo, whose term ends in 2010, gained support in the lower House following the elections, thus helping her avert another impeachment bid. However, pro-Arroyo parties lost their narrow majority in the Senate. This has made it more difficult for the President to carry out her policy agenda.<sup>14</sup>

## Politically-Motivated Violence and Extrajudicial Killings

Politically-motivated acts of violence against journalists and other mass media personalities and extrajudicial killings of individuals linked to leftist groups have risen since Gloria Macapagal-Arroyo assumed the presidency in 2001, reportedly reaching a peak in 2006. According to one estimate, 58 journalists reportedly have been killed since 2001.<sup>15</sup> Many experts attribute these killings to local power struggles rather than to a systematic crackdown on media freedom directed by Manila. In many cases, powerful, local political families reportedly have targeted journalists or mass media personalities who had either exposed the business practices of these families or threatened their interests by allying with rival families or criticizing local government corruption. The police, often beholden to local elites, have been accused of failing to perform proper investigations, while higher levels of government have been blamed for not aggressively pursuing or prosecuting those responsible for the violence.<sup>16</sup>

The communist insurgency has spawned another type of killing. Since the late 1960s, the Communist Party of the Philippines (CPP) allegedly has developed an extensive array of front groups in rural areas. These groups often have operated in close proximity to non-communist but left-leaning social groups and non-governmental organizations (NGOs) trying to assist poorer Filipinos.<sup>17</sup> Members of both communist groups and civil society have been the targets of assassination. Between 2001 and 2007, hundreds of mostly leftist political, trade union, farmer, church, and human rights activists reportedly were killed (over 800 according to Philippine human rights groups). However, a Philippine National Police task force declared that about three-fourths of these killings were non-political in nature.<sup>18</sup>

Some reports have attributed most of these deaths to the Armed Forces of the Philippines. Experts argue that the AFP has been so dedicated to eradicating the CPP and its armed wing, the New

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<sup>13</sup> Carlos H. Conde, "Deaths and Fraud Reports Mar Philippine Vote," *New York Times*, May 15, 2007.

<sup>14</sup> Bruce Gale, "Arroyo in for Reform Headache," *The Straits Times*, July 4, 2007.

<sup>15</sup> "Filipino Reporter Shot; Official Condemns Attack," *International Herald Tribune*, August 5, 2008.

<sup>16</sup> Alan Sipress, "A 'Culture of Impunity' Protects Journalists' Killers in Philippines," *Washington Post*, September 12, 2004. "Gunmen Kill Radio Commentator in South Philippines," *Reuters News*, July 18, 2006.

<sup>17</sup>

Simon Montlake, "In Capitalist Asia, Philippines Still Grapples with Communists," *Christian Science Monitor*, December 7, 2005.

<sup>18</sup> "Philippine Police Reject 635 Cases on Rights Group's Extrajudicial Killings List," *BBC Monitoring Asia Pacific*, February 4, 2008.

People's Army (NPA), both of which are on the U.S. list of terrorist organizations, that it has cast an excessively wide net over leftist activists and networks. The RP 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, since its top ranks have provided her with much needed political support.<sup>19</sup>

AFP officials have largely rejected the claims that extrajudicial killings have occurred or that the military should be blamed, as well as the notion that the victims were innocent. Some military officials have responded to allegations with counterclaims that the deaths were a fabrication of the CPP, that 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 CPP, or that activists were killed as part of a CPP intra-organizational purge.<sup>20</sup>

In 2006, partially in response to outcries from Philippine and international human rights groups, the Catholic Church of the Philippines, and European countries, President Arroyo created a special task force to investigate the extra-judicial killings and invited the United Nations Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions, Philip Alston, to conduct a fact-finding mission. The task force (Melo Commission) and the Special Rapporteur released their findings in January 2007 and February 2007, respectively.<sup>21</sup> 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, killed by the CPP as part of an internal organizational purge, or died in military combat between the AFP and the New People's Army. In response to recommendations of the Melo Commission and Special Rapporteur, the Arroyo government reportedly has taken major steps to bolster the investigation and prosecution of cases involving unlawful killings and establish procedures to ensure greater accountability in the military and police forces.<sup>22</sup> Although the number of such deaths has declined, some human rights advocates contend that most of the perpetrators of such crimes have remained unpunished.<sup>23</sup>

## 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 most-developed country in East Asia, after Japan. However, the country has fallen behind other developing nations in the region. For example, the Philippines has slipped below China both in gross domestic product (GDP) per capita (\$3,200 in the Philippines compared to \$5,400 in China)<sup>24</sup> and "human development." The

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<sup>19</sup> "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.

<sup>20</sup> "Rights Activists Uncowed as Blood Letting in Philippines Continues," *Agence France-Presse*, November 12, 2006.

<sup>21</sup> "Another Journalist Shot Dead," *Philippine Daily Inquirer*, February 20, 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.

<sup>22</sup> U.S. Department of State, Country Reports on Human Rights Practices—2007, March 11, 2008 (Philippines).

<sup>23</sup> Katherine Adraneda, "RP Report Card on HR: Abysmal," *The Philippine Star*, January 3, 2009.

<sup>24</sup> Measured in "purchasing power parity" (PPP) terms, which factors in cost of living.

United Nations Development Program's Human Development Index (HDI) ranked the Philippines 90<sup>th</sup> and China 81<sup>st</sup> for 2007-2008.<sup>25</sup>

Despite these declines, many analysts credit President Arroyo for putting the economy back on a strong footing after several years of stagnation. Arroyo's fiscal reforms, which included reducing public debt through more aggressive collection of taxes, streamlining government operations, and privatizing public sector enterprises, contributed to economic growth. The government budget deficit declined, agriculture, export industries (electronics), and business process outsourcing (BPO) performed well, and remittances from abroad surged. In addition, foreign investment rebounded and the poverty rate declined. The Philippines is the world's second largest center for business process outsourcing, after India, employing 340,000 persons and accounting for 3% of GDP.<sup>26</sup> Real growth in gross domestic product averaged 5% during 2004-2006 and reached 7% in 2007. However, economic growth is expected to slow to 4.3% in 2008 and 1.3% in 2009, due in large part to the slowdown in the global economy. Falling remittances and foreign investment, as well as price inflation, particularly that pertaining to rice and fuel, are likely to act as drags on the economy.<sup>27</sup>

Philippine prosperity is highly dependent upon remittances from abroad. In 2007, roughly 8 million overseas Filipino workers (OFWs) remitted \$17 billion, compared to \$15.25 billion in 2006, making the RP the fourth largest recipient of remittances worldwide. Remittances constitute over 10% of GDP or more than half the government budget.<sup>28</sup> While this source of income is a boon to the economy, some observers argue that it promotes consumption over long-term investment. Furthermore, the flight of educated professionals represents a brain drain as well as the depletion of the middle class, which has long been considered the bulwark of democracy in the Philippines.

The RP's largest trading partners and foreign investors are the People's Republic of China (PRC), the United States, and Japan. According to RP official data, bilateral trade with China (including Hong Kong) is slightly higher than that with the United States and growing at a faster rate. (See **Table 1.**) The Philippines also benefits from annual trade surpluses with China. The RP exports primarily electrical machinery and natural resources to China and electrical machinery and textiles to the United States.<sup>29</sup>

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<sup>25</sup> Central Intelligence Agency, *World Factbook*; United Nations Development Programme. The HDI ranks countries according to human development indicators of life expectancy, education, literacy, and gross domestic product.

<sup>26</sup> Sarah Efron, "Calling out Bangalore; Rivalling India, the Philippines See Prosperity in Offshore Outsourcing," *National Post*, September 6, 2008.

<sup>27</sup> Economist Intelligence Unit, *Country Report—Philippines*, January 2009.

<sup>28</sup> "RP is 4<sup>th</sup> in Worldwide Remittances," *The Manila Times*, March 25, 2008.

<sup>29</sup> *Global Trade Atlas*.

**Table 1. Philippines Bilateral Trade with the United States, China, and Japan, 2007**  
(\$billions)

	Philippines Data				Trade Partner Data			
	Imports	Exports	Total Trade	% Change from 2006	Imports	Exports	Total Trade	% Change from 2006
U.S.	7.9	8.5	16.4	-2	7.7	9.4	17.1	-1
China	4.0	5.7	9.7	16	7.5	23.1	30.6	31.3
Hong Kong	2.2	5.8	8.0	40	2.8	6.3	9.1	13.7
Japan	6.6	7.3	13.9	-5	9.5	8.7	18.2	7.6

**Source:** Global Trade Atlas.

**Note:** Philippine and PRC trade data vary significantly.

## Promoting U.S. Trade and Investment

Some foreign policy makers advocate trade-liberalization policies that would encourage greater U.S. trade with and investment in the Philippines, which they argue would help promote economic development and social and political stability as well as to counteract growing Chinese influence. The United States has concluded Trade and Investment Framework Agreements (TIFAs) with five major economies in Southeast Asia, including the Philippines. TIFAs provide forums for the discussion and resolution of bilateral trade issues as well as foundations for potential FTA negotiations. In 2006, the United States Trade Representative (USTR) upgraded the RP from “Priority Watch List” to “Watch List” for improvements in its efforts to reduce Intellectual Property Rights (IPR) violations. In June 2008, the two countries signed an Agreement of Cooperation on Agriculture and Related Fields that would allow for the sale of fresh fruits from the Philippines to the United States.<sup>30</sup> Some analysts expect little progress on a U.S.-RP FTA in the foreseeable future, however, due to likely opposition or higher standards imposed upon them in the 111<sup>th</sup> Congress and under the Obama Administration.<sup>31</sup>

## U.S. Foreign Assistance

Since 2001, the Philippines has received the most dramatic increases in U.S. foreign assistance in Southeast Asia. The main goals of U.S. assistance in the Philippines include: fighting terrorism through both military and non-military means; supporting the peace process in Muslim Mindanao; promoting health and education programs, especially in conflict-ridden areas of Mindanao; increasing private sector competitiveness; and promoting good governance. “Peace and Security” efforts, which receive the greatest funding, include assistance for counterterrorism operations, social and economic programs in Mindanao, and the Philippine Defense Reform (PDR) program, the aim of which is to create institutional mechanisms for preventing extra-judicial killings.<sup>32</sup> In 2006, the Millennium Challenge Corporation (MCC) designated the

<sup>30</sup> Maila Ager, “RP, US Sign Agriculture Cooperation Pact,” *Inquirer.net*, June 25, 2008.

<sup>31</sup> PCCI Upbeat on Prospects for RP-US Trade Agreement,” *BusinessWorld*, July 30, 2008.

<sup>32</sup> For further information, see U.S. Department of State, *Congressional Budget Justification for Foreign Operations*, (continued...)

Philippines as a “threshold” country or close to meeting criteria for receiving additional assistance through the Millennium Challenge Account (MCA). The Philippines recently initiated a two-year, \$21 million MCA threshold program that focuses on fighting corruption and improving government revenue collection. (See **Table 2**.)

**Table 2. U.S. Assistance to Philippines, 2005-2009**  
(thousands of dollars)

Account	FY2005	FY2006	FY2007	FY2008 estimate	FY2009 request
CSH	27,050	24,651	24,362	24,967	20,043
DA	27,576	24,212	15,448	27,321	56,703
ESF	30,720	24,750	29,750	27,773	—
FMF	29,760	29,700	39,700	29,757	15,000
IMET	2,915	2,926	2,746	1,475	1,700
INCLE	3,968	1,980	1,900	794	1,150
NADR	2,257	4,968	4,198	4,531	4,625
Peace Corps	2,820	2,767	2,820	2,753	—
<b>Totals</b>	<b>127,066</b>	<b>115,954</b>	<b>120,924</b>	<b>119,371</b>	<b>99,221</b>
<b>Food Aid</b>					
P.L. 480 Title I USDA Loan	20,000	0	0	0	0
FFP	1,720	6,335	3,655	—	—
Section 416(b)	5,644	0	0	—	—

**Sources:** U.S. Department of State; USAID; U.S. Department of Agriculture.

The Consolidated Appropriations Act for FY2008, Section 699E provided up to \$30 million for Foreign Military Financing for the Philippines, of which \$2 million would be made available if the U.S. Secretary of State reported that the Philippine government and military were adequately addressing the problem of extra-judicial killings: investigating and prosecuting military personnel and others who had been credibly alleged to have committed extrajudicial executions or other violations of human rights; implementing policies promoting human rights safeguards in the military; and not engaging in acts of intimidation or violence against members of legal organizations who advocate for human rights.

In September 2008, the House and Senate of the U.S. Congress passed a continuing resolution (CR), H.R. 2638 (Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009). The bill was signed into law as P.L. 110-329. The CR for FY2009 continues most foreign operations funding through March 6, 2009, at FY2008 levels.

(...continued)

FY2009; CRS Report RL31362, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, by Thomas Lum.

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**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	FFP	Food for Progress

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## 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.<sup>33</sup> Over a span of about four years, the operation reduced Abu Sayyaf’s strength from an estimated 1,000 active fighters to an estimated 200-400.<sup>34</sup> (See **Figure 1**, Map of the Philippines.) 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 worrisome trend is the growing cooperation among Abu Sayyaf, several major Moro Islamic Liberation Front (MILF) commands, and elements of Jemaah Islamiyah (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. A related development is 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. Other obstacles to resolving the conflict in the south include distrust between the MNLF and MILF and the factionalism that exists among the two fronts. Some analysts suggest that if the MILF agrees to a settlement with the government, and ceases to represent a more fundamentalist alternative, then some of the more radical members and leaders may be compelled to join JI or Abu Sayyaf.<sup>35</sup>

## 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 hostage-taking for ransom and has had past, sporadic links with Al Qaeda.<sup>36</sup> In May 2001, Abu Sayyaf kidnapped

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<sup>33</sup> See CRS Report RL31672, *Terrorism in Southeast Asia*, by Bruce Vaughn et al..

<sup>34</sup> “Philippine Forces Capture Abu Sayyaf Militant Suspected of Beheading Marines,” *International Herald Tribune*, January 21, 2008.

<sup>35</sup> Abuza, Zachary. *Balik-Terrorism: The Return of the Abu Sayyaf Group*. Carlisle, U.S. Army War College, 2005.

<sup>36</sup> The ASG reportedly provided support to Ramzi Yousef, an Al Qaeda agent convicted of planning the 1993 bombing (continued...)

and took hostage 20 people from a resort on the island of Palawan, including three American citizens. Some of the Filipino hostages were later freed, while one of the Americans, Guillermo Sobero, was beheaded. One year later, in June 2002, Filipino army rangers attempted a rescue in which one of the remaining Americans, Martin Burnham, was killed along with a Filipina hostage. Burnham's wife, Gracia, was freed.

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 kidnaping for ransom and instead emphasized developing capabilities for urban bombing. 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 fell from an estimated 1,000 in 2002 to 200-400 in 2005, the capabilities of the organization may be growing.<sup>37</sup> Khadafi Janjalani moved some of Abu Sayyaf's operations and leadership to the mainland of western Mindanao. There it reportedly 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 carrying urban attacks.<sup>38</sup> 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 Islamiyah personnel reportedly had trained about 60 Abu Sayyaf members in bomb assembly and detonation.<sup>39</sup> Since March 2004, the Philippine government reportedly has uncovered several Abu Sayyaf plots to carry out attacks in Manila, including the discovery of explosives. One reported target was the United States Embassy. In February 2005, Abu Sayyaf carried out 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.<sup>40</sup>

## 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 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

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(...continued)

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.

<sup>37</sup> Abuza, *Balik-Terrorism*, op. cit., p. 27. Mogato, Manny. "Fighting in the Philippine South Rages, Soldier Killed." *Reuters News*, November 24, 2005.

<sup>38</sup> Ibid., pp. 14-19, 22-24.

<sup>39</sup> 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.

<sup>40</sup> Abuza, *Balik-Terrorism*, op. cit., p. 36.

Abu Sayyaf-Jemaah Islamiyah training; and (3) kill or capture Abu Sayyaf leaders. 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 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.

## **MNLF and MILF**

The U.S. focus on Abu Sayyaf is complicated by the broader Muslim problem in the southern Philippines, including the existence of two separatist movements, the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). These organizations represent Moro ethnic and religious groups which form a majority of the population in several provinces on Mindanao Island. The MILF was established in 1980 as a splinter group of the more secular MNLF. With an estimated armed strength of 10,000-12,000, the MILF has outgrown its parent organization. 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, granting limited autonomy to four Mindanao provinces under an Autonomous Region of Muslim Mindanao (ARMM), while the MILF continued to insist upon the creation of an independent Islamic state.

## **Peace Agreement and Its Collapse**

In August 2008, the Philippine government and the MILF signed a Memorandum of Agreement laying out a framework for a settlement regarding ending MILF insurgency and recognizing their ancestral domain. The Memorandum of Agreement provided for the establishment of a “Bangsamoro Juridical Entity” (BJE), comprised of the ARMM and as many as 737 Muslim majority villages (barangays) outside the ARMM to be determined through plebiscites within 12 months of the signing of the Memorandum. It also laid out the possible future inclusion of 1,459 other “conflict-affected areas.” The BJE would have an “associative relationship” with the Philippine government, including “shared authority and responsibility.” The Entity would be able to create its own government, election system, banking system, schools, judicial system, and police and internal security forces. The economic resources of the region would be allocated among the Philippine government and the BJE on a 75-25 percent basis favoring the BJE. The Entity could enter into trade and economic relations with foreign countries and would control the resources of waters extending 15 kilometers from its coast.<sup>41</sup>

Immediately after the conclusion of the Memorandum of Agreement, however, Christian politicians on Mindanao filed a suit with the Philippine Supreme Court, calling for the Court to block the Memorandum. The politicians claimed that they had not been consulted about the agreement even though they were the elected officials of areas envisioned for incorporation into the BJE. The Court issued a temporary restraining order on implementation of the Memorandum.

Resistance to the Memorandum reportedly came from not only local Christian leaders and residents, but also entrenched political and economic interests in Mindanao and opposition

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<sup>41</sup> *International Crisis Group*, “The Philippines: The Collapse of Peace in Mindanao.” October 23, 2008, p. 3-6. Fe Zamora, “Bangsamoro to Get Own State: Government, MILF to Sign Ancestral Domain Pact Tuesday,” *Philippine Daily Inquirer* (internet), August 3, 2008.

politicians in Manila. Some critics charged that President Arroyo had schemed to use the Memorandum, which would require changing the government from a unitary form to a federal one, to amend the Philippine constitution, which also would open the way for her to remove the ban on seeking a second term of office.<sup>42</sup> The Supreme Court ruled on October 14, 2008, that the Memorandum was unconstitutional. In an 8-7 decision, the Court held that the “associative relationship” envisaged in the Memorandum was illegal in that it implied eventual independence for the BJE.<sup>43</sup> Some analysts suggest that the Arroyo Administration’s lack of legitimacy and preparation on related constitutional issues had doomed the Agreement from the start.<sup>44</sup>

Renewed fighting between the AFP and MILF broke out following the collapse of the accord, reportedly resulting in the displacement of over 130,000 villagers and dozens of deaths.<sup>45</sup> Several MILF units attacked Christian villages. The Philippine military launched operations against these “rogue” groups but not the MILF as a whole. In other areas, a cease-fire, first negotiated in 2003, remained in force. However, the truce grew more tenuous when Malaysia withdrew its troops from an International Monitoring Team (IMT) that had been operating in conjunction with the cease-fire. Malaysian personnel had formed the core of the IMT, which was created in 2004 by the Organization of the Islamic Conference (OIC) to help advance the peace process.

Following the Supreme Court ruling of October 14, 2008, the government insisted on new terms for negotiations, including greater consultation with local representatives and organizations. President Arroyo appointed a new chief negotiator in December 2008. The MILF has questioned the government’s sincerity in pursuing a settlement and sought a commitment from Manila to adhere to the principles of the Memorandum of Agreement.<sup>46</sup>

### **Relations Between the MILF, JI, and Abu Sayyaf**

MILF leaders have denied links with JI and Abu Sayyaf, and reportedly have cooperated with U.S. efforts to hunt Abu Sayyaf leaders. However, there also are many reports linking some local MILF commands with the terrorist organizations. Evidence, including the testimonies of captured Jemaah Islamiyah leaders, has pointed to strong links between certain MILF commanders and JI, including the continued training of JI terrorists in some MILF camps.<sup>47</sup> This training appears to be important to Jemaah Islamiyah’s ability to replenish its ranks following arrests of nearly 500 cadre in Indonesia, Malaysia, and Singapore. Furthermore, 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 camps as sites of active MILF cooperation with JI and Abu Sayyaf. He also has identified the MILF’s Special Operations Group as facilitating joint training and joint operations with Abu Sayyaf.<sup>48</sup>

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<sup>42</sup> Brett M. Decker, “Gloria’s Terror Gambit,” *Wall Street Journal Asia*, August 7, 2008, p. 12.

<sup>43</sup> International Crisis Group, “The Philippines: the Collapse of Peace in Mindanao,” October 23, 2008, p. 11-12.

<sup>44</sup> Carl Baker, “Looking Forward in Mindanao,” *PacNet #45*, September 4, 2008.

<sup>45</sup> Jim Gomez, “Philippine Troops Press Assault on Muslim Rebels,” *Washington Post*, August 11, 2008.

<sup>46</sup> Simon Roughneen, “Philippine Unease,” *Washington Times*, October 30, 2008, p. B1. Alexis B. Romero and Darwin T. Wee, “New Peace Panel Head a Sign to Restart Stalled Negotiations,” *Business World Online*, December 2, 2008. ETM, “Longer Christmas Truce Recommended,” *Business World Online*, December 16, 2008.

<sup>47</sup> Isagani P. Palma, “Military Links MILF to Jemaah Islamiyah,” *Manila Times Online*, November 30, 2008.

<sup>48</sup> Interview with Zachary Abuza, January 3, 2006.

There are divisions between civilian and military authorities over strategy toward the MILF. The Arroyo Administration has emphasized negotiation. The AFP has favored 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 embracing even more closely JI and Abu Sayyaf, which could give rise to a greater terrorist threat despite a settlement. Furthermore, there is another view that the MILF leadership has a relationship with 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 the AFP.<sup>49</sup>

## Clan Violence

According to some experts, a chief factor contributing to the cycle of violence, corruption, and poverty in Mindanao is clan conflict or vendettas, also known as *rido*. Local police, RP military, and factions of regional separatist organizations have become involved in or exploited such conflicts. In some cases, parties to clan disputes have enlisted state or insurgent military resources; in others, government and rebel forces have recruited local familial groups. *Rido* reportedly also has been a frequent cause of extra-judicial killings in the region.<sup>50</sup>

## U.S. Policy Toward the MILF

The Bush Administration considered placing the MILF on the U.S. list of terrorist organizations in 2002, and expressed growing concerns over MILF links with JI and JI's use of the Mindanao-Sulawesi (Indonesia) corridor to transport terrorists and weapons.<sup>51</sup> U.S. Administration officials also voiced doubts about the RP government's ability to end Muslim terrorist activity on Mindanao.<sup>52</sup> However, the Arroyo government has opposed characterizing the MILF as terrorist, fearing that such a stance would jeopardize the peace negotiations.<sup>53</sup> Furthermore, some analysts have argued that casting the MILF as terrorist would drive it further into the arms of JI and Abu Sayyaf.<sup>54</sup> The Bush Administration later adopted a policy of supporting the Philippine government-MILF peace negotiations as the best means of de-linking the MILF from JI.<sup>55</sup> This

<sup>49</sup> Commentary on ABC Radio News, December 28, 2005.

<sup>50</sup> Wilfredo Magno Torres III, ed. *Rido: Clan Feuding and Conflict Management in Mindanao*, The Asia Foundation, 2007; "Extrajudicial Killings in the Philippines: Strategies to End the Violence," Statement by G. Eugene Martin, U.S. Institute of Peace, Hearing before the Senate Foreign Relations Subcommittee on East Asian and Pacific Affairs, March 14, 2007; "'Rido' Worsens Conflict in South, Says Study," *Inquirer.net*, October 29, 2007.

<sup>51</sup> Abuza, *Balik-Terrorism*, op. cit., p. 42.

<sup>52</sup> 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, 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. Jacinto, Al, "War on Corruption, Poverty in South Must be Won First," *Manila Times (Internet Edition)*, September 11, 2007.

<sup>53</sup> Gloria's powers of persuasion. *Far Eastern Economic Review*, December 12, 2002. p. 10.

<sup>54</sup> "Mindanao Impasse: Prospects for Peace and What it Means for America," Heritage Foundation, October 24, 2008.

<sup>55</sup> *Asia Security Monitor* No. 147, November 30, 2005. "U.S. Says Peace Deal in Manila May Pressure JI." Reuters News, October 22, 2005.

support boosted the Arroyo Administration's position against the AFP's advocacy of a militarily-aggressive strategy. U.S. Ambassador to the Philippines, Kristie Kenney, signaled Bush Administration support for the 2008 Memorandum of Agreement when she attended the signing of the accord in Kuala Lumpur, Malaysia.<sup>56</sup>

The United States also increased its aid presence in areas of the MILF insurgency. In September 2007, the Bush and Arroyo administrations signed an agreement for a U.S. peace and development program in Mindanao costing \$190 million over a five year period. U.S. aid programs in MILF areas involve support for schools, infrastructure programs, and a program to reintegrate ex-MILF fighters into civilian society. Moreover, U.S. military forces in the Philippines have extended civic action programs from Abu Sayyaf conflict areas into MILF regions, and the U.S. military is negotiating with local leaders to expand these programs.<sup>57</sup>

Deepening U.S. involvement has raised the stakes for the United States, especially if the Philippine-MILF conflict worsens in 2009. If the collapse of the August 2008 Memorandum of Agreement should lead to a complete breakdown of negotiations and the cease-fire, the Obama Administration could be confronted with policy decisions regarding the U.S. role in a wider war. The AFP could be expected to propose increased supplies of U.S. arms and military equipment, and 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 and encourage U.S. actions against the MILF similar to those in the joint operations against Abu Sayyaf. If significant elements of the MILF were to move closer to JI and Abu Sayyaf, and if they were able to continue or expand terrorist operations, the Obama Administration could face additional pressures for greater U.S. military involvement.

Given the seemingly intractable nature of the Muslim problem in the southern Philippines, the Obama Administration faces difficult policy choices. One policy dilemma is whether to pressure the Philippine government and political establishment to negotiate an agreement with the MILF along the lines of the 2008 Memorandum of Agreement granting Muslim Mindanao a unique system of autonomy, despite likely opposition to such a settlement among some groups on both sides of the conflict. This scenario appears increasingly plausible, given the perceived poor performance of the Philippine government and political establishment in dealing with and ultimately rejecting the August 2008 accord. A group of former U.S. ambassadors to the Philippines wrote in *The Wall Street Journal Asia* in September 2008 that "the Philippine Supreme Court precipitated a true crisis when it issued a temporary restraining order that aborted" the Memorandum of Agreement and that "something very much like the recently suspended agreement would have to be part of any future settlement."<sup>58</sup> Both RP government and MILF leaders reportedly have called on the United States to get more directly involved in negotiations, but also have expressed suspicion or anger toward some U.S. diplomatic and military activities in Mindanao.<sup>59</sup>

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<sup>56</sup> "Mess in Mindanao," *Wall Street Journal Asia*, August 22, 2008, p. 14.

<sup>57</sup> Patricio N. Abinales, "And What of America?" *Manila Times*, August 29, 2008. "U.S. Military Projects Up in Lanao Del Norte," *Mindanao Examiner Online*, November 25, 2008.

<sup>58</sup> Stephen Bosworth, et. al., "Fixing Mindanao," *Wall Street Journal Asia*, September 30, 2008, p. 16.

<sup>59</sup> Julmunir I. Jannaral, "MILF Says US Government Has Unfinished Obligation Toward Moro People," *Manila Times Online*, December 1, 2008. Fabio Scarpello, "U.S. Diplomat Meets Philippines Rebels amid Ongoing Controversy over U.S. Presence," *World Politics Review* (internet), February 28, 2008.

Another, related quandary facing the new Administration is whether to continue current levels of military and development assistance to the RP. Some analysts suggest that although Philippine and joint RP-U.S. military operations have reduced Abu Sayyaf armed strength, a lasting solution in Mindanao requires political will and consensus in Manila that may be beyond the reach of U.S. assistance programs. Furthermore, U.S. aid efforts that aim to address the economic roots of the problem, while they reportedly have garnered goodwill among many local residents, may fail to affect larger trends and stem the tide of violence. Other observers argue that Washington needs to become more engaged and provide greater support, especially non-military assistance, in conflict-ridden areas. Without greater U.S. assistance, they contend, not only would the risk of violence grow, but also U.S. leverage in the Philippines may diminish.<sup>60</sup>

## Philippine Communist Party (CPP)

The CPP has directed an insurgency under its New Peoples' Army 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.<sup>61</sup> Estimated strength in mid-2007 was 7,000.<sup>62</sup> 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.<sup>63</sup>

## 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. Following the terrorist attacks in the United States in September 2001, the RP was designated as a front-line state in the global war on terrorism. The RP has actively supported U.S. counterterrorism efforts in Southeast Asia and has worked with the United States to enhance its own counterterrorism capabilities.<sup>64</sup> The Philippines was designated a Major Non-NATO Ally on October 6, 2003, after

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<sup>60</sup> "Mindanao Impasse," op. cit.

<sup>61</sup> Hepinstall, Sonya and O'Callaghan, John. "Interview—Communists Pose Biggest Threat to Philippines." *Reuters News*, January 10, 2006.

<sup>62</sup> Labog-Javellana, Juliet and Mallari, Delfin T. "AFP: We Can Beat NPA Rebels Without US Help." *Makati City Inquirer.net*, June 29, 2007.

<sup>63</sup> Ibid.

<sup>64</sup> U.S. Department of State, *FY2009 Congressional Budget Justification*.

President Arroyo announced Manila's support for the U.S.-led invasion of Iraq. This U.S. move was made in part to give the Philippines greater access to American defense equipment and supplies.

In 1991, the Philippine Senate voted 12-11 to revoke the Military Bases Agreement between the RP and the United States, forcing the closure of the Subic Naval base and Clark Air Force base. However, in 1995, President Fidel Ramos invited U.S. forces back on a limited basis, partially in response to China's erection and upgrading of structures on Mischief Reef in the disputed Spratly Islands group. 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 others. In January 2000, RP-U.S. joint military exercises ("Balikatan" or *Shoulder-to-Shoulder*) were held following a five-year hiatus, in which the United States assumed a non-combat role.

Following the September 11 attacks, Manila offered ports and airports for use by U.S. naval vessels and military aircraft. On March 20, 2003, the Philippines sent a peacekeeping and humanitarian contingent of nearly 100 soldiers and other personnel to Iraq. In July 2004, the Arroyo government withdrew its troops ahead of schedule in exchange for the release of a Filipino truck driver kidnaped by an Iraqi Islamist group. The government reportedly feared that not doing so would provoke a public outcry and raise the risk of kidnaping for hundreds of thousands of other Filipinos working in the region. Arroyo's action represented an exertion of national over bilateral (U.S.) interests. Officials in the U.S. State Department expressed "disappointment" while some inside and outside of the Administration were angered that Manila "had emboldened the terrorists." President Arroyo's state visit to Beijing in September further added to the apparent chill in RP-U.S. relations. However, the basic ideological and institutional foundations of the RP-U.S. relationship remained strong.<sup>65</sup>

### **RP-U.S. Operations on Baslian and Jolo Islands**

The 2001 terrorist attacks 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 AFP against the Abu Sayyaf group. 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. 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.

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

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<sup>65</sup> Mely Caballero-Anthony, "U.S.-Philippine Relations after the Iraq Crisis," *PacNet No. 35*, August 19, 2004; Andrea Koppel, "U.S. Confused by Philippine Decision," *CNN.com*, July 13, 2004; Peter Brookes, "Saying 'Yes' to Terror," *The Heritage Foundation*, July 16, 2004.

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.

Continued Abu Sayyaf bombings led the U.S. 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 had three objectives: (1) neutralize Abu Sayyaf-Jemaah Islamiyah 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).<sup>66</sup>

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 within Philippine military camps and always operate with AFP units. They can use their weapons only when fired upon.<sup>67</sup> 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.
- Supporting 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. Some reports in late 2008 describe limited Abu Sayyaf activity on Basilan.<sup>68</sup> Abu Sayyaf strength on Jolo is down to an estimated 200-300. The group

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<sup>66</sup> Bonner, Raymond and Conde, Carlos H. "U.S. and Philippines Join Forces to Pursue Terrorist Leader." *New York Times*, July 23, 2005.

<sup>67</sup> Hookway, James. "Terror Fight Scores in the Philippines." *The Wall Street Journal Asia*, June 20, 2007. p. A.

<sup>68</sup> Darwin T. Wee, Alexis B. Romero and Carmelito Q. Francisco, "Pursuit of Bandits Ordered Intensified," *Business World Online*, December 15, 2008.

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.<sup>69</sup>

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.

## Philippines-China Relations

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. President Arroyo has made several official visits to China since she assumed the presidency in 2001. Some analysts argue that the People's Republic of China has sought to forestall a greater U.S. military presence in the region, a clash over disputed territory in the Spratlys that might provoke U.S. involvement, and Philippine support of the United States in a possible military crisis involving Taiwan. Rather than take a back seat following the strengthening of Philippine-U.S. ties after 2001, China has offered Manila much-needed military assistance and well as economic aid and investment.<sup>70</sup>

The Philippines' relationship with the PRC has improved markedly since the Mischief Reef Incident in 1995.<sup>71</sup> 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 in the region hope will evolve into a formal code of conduct that promotes a peaceful resolution of territorial disputes. In 2003, China acceded to the Treaty of Amity and Cooperation in Southeast Asia, which renounces the use of force and calls for greater economic and political cooperation.

Some analysts contend that the Arroyo government's withdrawal of RP military personnel from Iraq in July 2004 created a temporary chill in Manila's relations with Washington, while Philippine contacts with Beijing became warmer. President Arroyo paid an official visit to China in September 2004. In November 2004, RP and PRC military officials signed a Memorandum of Understanding on Defense Cooperation, and in May 2005, the two countries signed agreements

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<sup>69</sup> Ibid. Montlake, Simon. "US Troops in Philippines Defy Old Stereotype." *Christian Science Monitor*, March 1, 2007. p. 7.

<sup>70</sup> Renato Cruz De Castro, "China, the Philippines, and U.S. Influence in Asia," *Asian Outlook (AEI Online)*, July 6, 2007.

<sup>71</sup> Carl Baker, "China-Philippines Relations: Cautious Cooperation," *Asia-Pacific Center for Security Studies*, October 2004.

related to the following: annual defense and security dialogues; PRC training of AFP soldiers; Chinese technical assistance to the AFP; and a gift of non-lethal military equipment worth \$6 million.<sup>72</sup>

Some argue that China has exploited what many Southeast Asians perceive as a one-dimensional U.S. view of the region, with its focus on counterterrorism, by emphasizing their development needs. In the past few years, China has become one of the RP's biggest trading partners, a major investor in infrastructure, energy, agriculture, and mining, and a significant provider of foreign aid, mostly in the form of concessional loans which rival those of Japan, the Asian Development Bank, and the World Bank. The Philippines is now the largest recipient of PRC loans in Southeast Asia, which reportedly total \$2 billion in pledged financing, of which about half has been disbursed.<sup>73</sup> One of the largest PRC-funded projects in the country is the \$1 billion North Rail line on Luzon.<sup>74</sup>

China's beneficence has also been a source of scandals roiling Philippine politics. In 2007, the RP government signed a \$329 million contract with ZTE Corporation of China to build a national broadband network linking government units. The Commissions of Elections chairman, Benjamin Abalos, was later accused of bribing Philippine and Chinese officials and a rival Philippine telecom company in exchange for their support of the ZTE deal. Abalos resigned from his position in October 2007 while President Arroyo canceled the project. ZTE denied involvement in any corrupt activities.<sup>75</sup>

Some Philippine lawmakers have accused the Arroyo government of compromising the country's sovereignty and foreign relations in exchange for PRC loans and other forms of cooperation. The Joint Marine Seismic Undertaking (JMSU), a three-year agreement signed in 2004 and 2005 by the China National Offshore Oil Corp., the Philippine National Oil Corp., and PetroVietnam, involved seismic data gathering in the Spratly Islands area in preparation for oil exploration activities. Some Philippine lawmakers protested that the JMSU covered not only disputed territory but also undisputed Philippine islands as well as one island claimed and occupied by Taiwan.<sup>76</sup> Furthermore, other critics argued that the agreement undermined ASEAN efforts to deal with China as a bloc. The RP government did not renew the JMSU in 2008 due to opposition in the legislature.

Although some Philippine politicians and opinion leaders have been critical of RP-China economic arrangements, some analysts argue that the focus of their disapproval has been their

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<sup>72</sup> Ian Story, "China and the Philippines: Moving Beyond the South China Sea Dispute," *China Brief*, The Jamestown Foundation, October 25, 2006.

<sup>73</sup> Katrice R. Jalbuena, "Ties with PRC, Now Most Important to RP, Also Involves Security Matters," *Manila Times*, June 29, 2008; New York University Wagner School, "Understanding Chinese Foreign Aid: A Look at China's Development Assistance to Africa, Southeast Asia, and Latin America," report prepared for the Congressional Research Service, April 25, 2008.

<sup>74</sup> Walter Lohman, "Off the Rails in the Philippines," Heritage Foundation, *WebMemo no. 1856*, March 14, 2008; Darwin G. Amojelar, "Chinese Loans to RP Rising," *The Manila Times*, December 3, 2007.

<sup>75</sup> Allen Kicken, "The Philippines in 2007," *Asian Survey*, Vol. XLVIII, No. 1 (January/February 2008).

<sup>76</sup> The Philippines and China signed the agreement in 2004; Vietnam signed on in 2005. The Spratlys are claimed in whole or in part by the Philippines, China, Vietnam, Malaysia, Taiwan, and Brunei. Barry Wain, "Manila's Bungle in the South China Sea," *Far Eastern Economic Review*, Jan/Feb 2008; "Sold: 24,000 Sq. Km.," *Malaya News*, March 8, 2008; "Philippines: Energy Chief Says Joint Exploration Pact with China, Vietnam, Lapses," *BBC Monitoring Asia Pacific*, July 12, 2008.

domestic political opponents rather than the PRC. Meanwhile, many Filipinos view RP-China relations as positive overall and China's intentions as benign. They have expressed more concern about political corruption and the lack of government transparency regarding these deals than about China per se. In September 2008, President Arroyo created a special government panel to oversee projects funded by PRC aid money, a move expected to be popular with the public.<sup>77</sup>

## 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. 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 Philippines. The U.S. 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 benefits, including health care to veterans living in the Philippines. In 2008, fewer than 18,000 of over 200,000 Filipino WWII veterans reportedly were still alive, including 6,000 residing in the United States, according to some estimates.<sup>78</sup>

Two measures were introduced in the 110<sup>th</sup> 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.<sup>79</sup> The Veterans Benefits Enhancement Act of 2007 (S. 1315), as passed by the Senate, incorporated elements of S. 57, while the House version of the bill did not contain such provisions.<sup>80</sup> In addition, the Filipino Veterans Equity Act of 2008 (H.R. 6897, introduced on September 15, 2008) would establish the Filipino Veterans Equity Compensation Fund through which one-time payments would be made (\$15,000 for U.S. citizens and \$9,000 for non-U.S. citizens) to certain eligible persons who served in the New Philippine Scouts, Recognized Guerrilla Forces, and Commonwealth Army of the Philippines. The Filipino Veterans Assistance Act of 2008 (H.R. 6645), introduced on July 29, 2008, would authorize the President to provide assistance to the Republic of the Philippines for the purpose of aiding these Filipino veterans.

S. 68, introduced by Senator Inouye on January 6, 2009 (111<sup>th</sup> Congress), would require the Secretary of the Army to determine the validity of the claims of certain Filipinos that they performed military service on behalf of the United States during World War II. Such certification would qualify such persons or their survivors to receive any military, veterans', or other benefits under U.S. laws.

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<sup>77</sup> "Macapagal Sets up Oversight of China Projects," *Financial Times*, September 26, 2008.

<sup>78</sup> Jennie L. Ilustre, "WW2 Filvets Oppose Lump Sum US Pension Bill," *Malaya*, September 25, 2008.

<sup>79</sup> See CRS Report RL33876, *Overview of Filipino Veterans' Benefits*, by Sidath Viranga Panangala, Carol D. Davis, and Christine Scott.

<sup>80</sup> S.Rept. 110-148, Title IV.

## Time Line: Major Historical Events

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- 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.
- 2007: In mid-term congressional elections, pro-Arroyo parties gain strength in the House but lose seats in the Senate.
- 2008 (August): Peace agreement between the government and MILF collapses after Supreme Court issues a temporary stay.
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Figure 1. Map of The Philippines



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

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## **Author Contact Information**

Thomas Lum  
Specialist in Asian Affairs  
tlum@crs.loc.gov, 7-7616

Larry A. Nicksch  
Specialist in Asian Affairs  
lnicksch@crs.loc.gov, 7-7680

<http://wikileaks.org/wiki/CRS-RL33233>