

# Changes in the global structure and finding a place for the Philippines

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There are structural changes in international relations that have been taking place, arguably, in the last decade that have strategic implications in terms of alterations in the international system. These changes convey the prospects of a return to an era of a bipolar geo-strategic competition.<sup>2</sup> Changes in global economic distribution and shifts in military capabilities are changing and affecting strategic calculations and are causing modifications to the organizational framework of global structures. This is best represented by the shift in regional definition from the Asia-Pacific to the Indo-Pacific. There is a renewed effort to conceptualize, not just this geographic frame of reference, but the idea which underlies it<sup>3</sup> through connectivity initiatives such as China's Belt and Road Initiative (BRI), India's Look East strategy, Taiwan's New Southbound Policy, and other undertakings. The notion is appealing for some international actors. Japan, under Prime Minister Shinzo Abe, likes the notion of the Indo-Pacific "because it allows Japan a way to reach beyond the traditional confines of the bilateral alliance with the [United States (US)], [in which] Japan has been traditionally dependent upon US power to shape its own security [policy] ... India likes the notion of a broader Indo-Pacific region because it acknowledges India's vital role in Asia's future."<sup>4</sup> Nonetheless, these changes should be contextualized within oppositional phenomena in the domestic sphere,

manifest divisions within the European Union (EU) member states, and US retrenchment. In simple terms, alterations are being made to the ideas and institutions that have underpinned the liberal world order, because the powers that championed and benefited from these arrangements are in of themselves changing fundamentally.

## Global change

In a lecture delivered at the University of the Philippines in October 2018, Dr. William Tow of the Australian National University (ANU) noted three key factors driving global change. First is the erosion of Western influence and involvement in the Indo-Pacific region, signified by the Trump administration's 'America First' rhetoric and the internal conflict within the European Community represented by Brexit.

Secondly, countries such as China, Russia, Germany, and the US are experiencing a rise in intensified nationalism underlined by forms of populism. Dissatisfaction and disenfranchisement of particular groups from existing systems—which people view to be no longer responsive to their benefit—demand substantial adjustments to their domestic political environments. There exists a rather dangerous convergence of nationalistic

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<sup>2</sup> William Tow, "Structural Change and Power Balancing in the Indo-Pacific: An Australian View of the Region's Alliance Politics" (Presentation, World Experts Lecture Series, University of the Philippines, Diliman, Quezon City, October 23, 2018).

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

tendencies that compounds the practice of international relations and the implementation of foreign policy which, as a result, increases the prospects for miscalculation. Questions of legitimacy regarding which political leaders or parties truly represent the people plague the domestic debates, resulting in various political leaders harnessing the forces of populism to appeal to the people's fear or distrust of established systems of governance. What emerges is division within domestic politics, which rationally results in political change and calls for transformation in the conduct of international relations, and therefore, fundamentally changes the international environment. As with any situation of great change, the basis for making calculated decisions from learned experience becomes less applicable, creating real danger due to prospects of miscalculation, and the process intensifies as the system enters into more disarray.

The third factor is addressing the consequences of overheated economies of the world's largest markets. The United States under Trump has legislated tax cuts in 2017 that unduly benefit wealthier Americans as it reduced individual income taxes (from 39.6% to 37%) without adjusting tax brackets and permanently lowered corporate tax rates to 21% from 35%.<sup>5</sup> This arguably resulted in a weakened American economy with a 2.7% annual gross domestic product (GDP) growth rate for 2017 and third quarter estimate of 3.5% for 2018.<sup>6</sup> As a result of these tax cuts, the economy of the country is further hampered by a looming 1 to 1.5 trillion-dollar deficit<sup>7</sup> within the next ten years. According to Tow, this specter of rampant inflation could portend a replay of something similar to the global financial crisis of 2008–2009 or something even more destructive. On the other side of the Pacific, China is going through a problem of attempting to control an over-investment in infrastructure and apparent problems in developing a viable middle class and a credible social support system.

## What about the Philippines?

What do these changes in the global structure mean for Philippine foreign policy? In an attempt to answer this question, Dr. Brendan Taylor—also from the ANU—delivered a lecture at the University of the Philippines in October 2018 that discussed the main 'flashpoints' in Asia—the most likely points of conflict in the region. His inquiry focused on three primary questions, mainly: (1) How likely is a major power war to erupt in Asia today? (2) If conflict erupts, where is it most likely to originate? And most importantly, (3) what can be done to prevent major power conflict breaking out in Asia?

The basic definition when talking about 'flashpoints' is that these are the "geographic areas with the potential to erupt suddenly into violent conflict."<sup>8</sup> The four geographical areas that have the potential to erupt into sudden violent conflict in the region are the Korean Peninsula, the East China Sea, the South China Sea (SCS), and the Taiwan Strait.<sup>9</sup> Disturbingly, the Philippines is situated close to two of these flashpoints and have interconnected relations to major players involved. The Philippines, therefore, is in a precarious position geopolitically. The inquiry in this policy brief will focus mainly on the capabilities of the country to mitigate the effects of these conflicts to its own interest. As Taylor points out in his work, there is an interconnected nature to these conflicts, which will be integral in shaping the options available to the Philippines.

In relation to the first question on how likely is a major power war to erupt in Asia today, structurally speaking, as discussed earlier, a reemergence of a bipolar geo-strategic competition is evolving. Proof of the bipolar geo-strategic competition's ideological existence in the mindset of American policymakers can be found in the address of Vice President Mike Pence at the Hudson Institute last October 2018, where he echoed the words of President Trump that the US has entered a new era

<sup>5</sup> Kimberly Amadeo. "Trump's Tax Plan and How It Affects You," *The Balance*, November 27, 2018, <https://www.thebalance.com/trump-s-tax-plan-how-it-affects-you-4113968.html>.

<sup>6</sup> Bureau of Economic Analysis, *Gross Domestic Product: 4th Quarter and Annual 2017 (Second Estimate)*, <https://www.bea.gov/news/2018/gross-domestic-product-4th-quarter-and-annual-2017-second-estimate.html>.

<sup>7</sup> Jim Tankersley. "How the Trump Tax Cut Is Helping to Push the Federal Deficit to \$1 Trillion," *The New York Times*, July 25, 2018, <https://www.nytimes.com/2018/07/25/business/trump-corporate-tax-cut-deficit.html>; Tow, "Structural Change."

<sup>8</sup> Brendan Taylor, *The Four Flashpoints: How Asia Goes to War* (Australia: La Trobe University Press, 2018), 16.

<sup>9</sup> *Ibid.*

of great power competition with China.<sup>10</sup> Scholars such as Graham Allison argue that Asia is in the throes of a ‘Thucydides trap,’ where an emerging power challenges a dominant power, which results in catastrophic war. The main application of this concept today is the strategic competition between the People’s Republic of China (PRC) and the United States. According to Taylor, “this school argues that the underlying shifts in the structure of the international system, particularly the shift in the military balance of power, are ultimately the factors which cause major power conflict to break out.”<sup>11</sup> Structural factors account easily for why particular conflict occurs, but fails to answer how. This will be elaborated in the following two questions.

The Philippines is placed within a very precarious, if not outright dangerous, position, as it is caught between two feuding powerhouses. As an American ally and a beneficiary of the American security guarantee, the Philippines has generally cultivated a close relationship with the US politically, economically, and militarily. However, the Duterte administration has very vocally declared a foreign policy independent from the Americans, with no explainable domestic pressure to do so. Both the United States and China are top trading partners of the Philippines, but so is Japan (another American ally). The Philippine government has courted closer relationship with the Chinese, and has even downplayed Chinese militarization of maritime features within the Philippines’ Exclusive Economic Zone (EEZ). The Philippines has received Chinese loans and other promises, but the benefits of these are yet to be experienced. With regards to the geo-strategic competition between the Americans and Chinese, there is no clear side to which the Philippines can comfortably claim to belong, as both have their respective drawbacks.

### South China Sea flashpoint

In terms of the second question on where conflict is most likely to erupt, despite all the coverage that the South China Sea receives, it is the flashpoint

that is least likely to combust into a major power conflict according to Taylor. This finding might be surprising, given the increasingly crowded space in the South China Sea as more players enter the waters, such as the British, French, and Indian navies. This is in addition to growing tensions between America’s freedom of navigation activities and Chinese naval forces that have seen increasing rates of near-accidents. Taylor noted the work by John Mearsheimer, who makes the argument for the stopping power of water, for when “clashes occur across vast maritime expanses, such as the South China Sea, due in part because it takes longer to move vessels into position it could often take days to adequately prepare.”<sup>12</sup> The geo-strategic space affords diplomats far more adequate time to negotiate solutions and construct frameworks to de-escalate tensions. But given the advancement in military hardware and real-time communications, is strategic distance still an adequate obstacle to cause enough delay? A more plausible argument for consideration would be to ascertain if the United States has any vital interest at stake in the South China Sea that would be prepared to engage in warfare. Taylor concluded that the answer is in the negative.

One of the main arguments made by Taylor is that each flashpoint is unique in terms of its history, strategic geography, and the key players involved. It is necessary to understand the subtle differences between the four flashpoints, as these root differences call for specific methods in their management. Nonetheless, each flashpoint may be distinct and different, but there is a need to understand the linkages between them, because these interconnections are intensifying and, more importantly, could be the primary source where the risk of conflict could emanate. Therefore, in order to anticipate the eruption of conflict in Asia, it is arguably the interconnection of these flashpoints that must be heavily observed.

At the moment, the Asia-Pacific is experiencing something called a ‘crisis slide,’ “a period in which the cumulative pressure of crises over multiple

<sup>10</sup> Mike Pence, “Vice President Mike Pence’s Remarks on the Administration’s Policy Towards China”, Hudson Institute, United States of America, October 4, 2018, <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>.

<sup>11</sup> Brendan Taylor, “Stopping Asia’s ‘Crisis Slide:’ An Australian Perspective on Asia’s Flashpoints” (Presentation, World Experts Lecture Series, University of the Philippines, Diliman, Quezon City, October 23, 2018).

<sup>12</sup> Ibid.

tension spots is pushing the area closer to conflict.”<sup>13</sup> Crisis slides are dangerous for three reasons. Firstly, they tend to make international relations more volatile, as animosities begin to spill over from one area to another. Secondly, with each passing crisis, the positions of involved parties begin to harden because every crisis generates winners and losers.<sup>14</sup> Thirdly, crisis slides tend to generate a great deal of complacency—decision makers assume that they will be able to survive the following crises. The problem with this is that the underlying issue, the cause of the crisis in the first place, is left unresolved.<sup>15</sup>

The crisis slide in Asia began arguably around about 2010, with the sinking of the South Korean naval corvette Cheonan and North Korea’s bombardment of the South Korean island of Yeonpyeong, which was then followed by the Scarborough Shoal standoff in 2012 between the Philippines and the PRC. This was then succeeded by Japan’s nationalization of the Senkaku/Diaoyu Islands in 2012 and in the first half of 2014, the Chinese parked an exploratory oil platform within Vietnam’s EEZ. This was followed by Chinese land reclamation efforts in the SCS from 2015 onwards and continuing with the militarization of the same maritime features. These situations have a compounding effect on the region’s volatility.

Asia today is starting to experience connections between the flashpoints, with Japan becoming much more actively engaged in the developments concerning the SCS, because it has concerns about the ramifications of the acceptance of the Chinese behavior in the area. Japan fears the precedence of what Chinese forces could achieve or what the world will tolerate of China’s possible actions in the East China Sea. This is arguably linked to the Trump administration’s increasing frustration with China’s unwillingness to support efforts to pressure the North Korean leadership to begin denuclearization. This could be attributed as one of the reasons why the Trump administration has adopted a hardline stance on issues concerning the Taiwan Strait and

the SCS. Observing the positions of the respective governments, both the Chinese and the Americans have shown signs of hardening in recent times.

In conclusion, how could the region prevent conflict? Taylor’s suggestion for avoiding conflict in the region focused on US–China relations. At its core, the proposed strategy calls for the US to step back from the SCS and provide China the strategic space that it craves. US efforts and interests would be better served if it concentrated its capabilities in flashpoints where it enjoys ‘situations of strength’ (i.e., Korean Peninsula and East China Sea).<sup>16</sup> This proposal could guarantee peace and a stable balance of power in the region in the foreseeable future and safeguard vital American interests in supporting the US’ principal East Asian ally.

But what about the Philippines? Taylor suggested that these solutions unduly benefit the strategic interest of the major powers in the region, at the expense of the weaker claimants. In order for peace to be maintained in the region, sacrifices have to be made, but it seems that these would come at the cost of the Philippines and the other littoral states around the SCS. The question now, given the understanding that the US has no vital interest in the SCS and is reluctant to extend the same guarantee to the Philippines as it did to Japan over the Senkaku islands, is what is the best course of action for the Philippines?

## Recommendations

It is acknowledged that Chinese economic interests would be better served by maintaining free and open navigation in the SCS, as “60% of the country’s seaborne trade passes through these waters.”<sup>17</sup> Therefore, the occupation and militarization by the Chinese of the maritime features in the SCS are governed by strategic interests. This is further supported by the ‘two island chain’ strategy developed by the People’s Liberation Army (PLA) to safeguard the Chinese heartland.<sup>18</sup> The strategic

<sup>13</sup> Taylor, *The Four Flashpoints*, 5.

<sup>14</sup> Taylor, “Stopping Asia’s ‘Crisis Slide.’”

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Taylor, *The Four Flashpoints*, 129.

<sup>18</sup> Jay Batongbacal, “Maritime Situation” in *Strategic Outlook 2018–2019: Proceedings of the 3rd Katipunan Conference, The Philippines Strategic Outlook 2018–2019* (Quezon City: UP Center for Integrative and Development Studies), 21.

imperative for the Philippines are not as vital compared to the Chinese. Philippine interests mainly involve resource extraction, particularly of oil and natural gas for energy, and fishing grounds. As it stands, the Chinese have an overlapping interest in resource extraction. The possibility of cooperation in these endeavors are possible, as there have been concessions by Beijing to the Duterte government to allow Filipino fishermen access to fishing grounds. Because of the lack of US commitment to support Philippine claims to these waters, the most pragmatic course of action in the short-term is not to challenge Chinese strategic ambitions.

Congruently, the Philippines should continuously pursue other avenues to strengthen its own strategic capabilities to achieve its agenda in the SCS even without US support. Given the connectivity of these flashpoints and Japan's own anxiety over Chinese action in the East China Sea, it would be advantageous for the Philippines to seek cooperation with friends in the region at the level of 'spoke-to-spoke'<sup>19</sup> security relations.

At the domestic level, lessons from the actions of the Australian government should be taken for consideration, such as the passage of a foreign influence law requiring any individual or company that are acting on behalf of foreign governments to register with consequence of imprisonment for failure to do so.<sup>20</sup> This is to ensure a truly independent foreign policy for the country. In addition, the Philippine government and its regulatory agencies should heighten scrutiny of Chinese investments into industries that affect the strategic capabilities of the country, such as telecommunications.

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<sup>19</sup> Tow, "Structural Change."

<sup>20</sup> The Economist, "The wonder down under," *Special Report: Australia*, October 27, 2018, 8.



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