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CENTER FOR INTEGRATIVE
AND DEVELOPMENT STUDIES

STRATEGIC OUTLOOK 2018-2019

Proceedings from the 3rd Katipunan
Conference: The Philippines Strategic
Outlook 2018-2019



Strategic Outlook 2018-2019

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INTRODUCTION

Aries A. Arugay, Ph.D.

Co-convenor, Strategic Studies Program

University of the Philippines Center for Integrative and Development Studies

This publication contains the proceedings of the 3rd Katipunan Conference organized by the Strategic Studies Program (SSP) of the UP Center for Integrative and Development Studies (UP CIDS) and the UP Institute of Maritime Affairs and Law of the Sea (IMLOS) held in the UP Law Center from 27-28 February 2018. In attendance were more than 100 participants representing the burgeoning strategic studies community of the Philippines, comprised of academics, students, researchers, military officials, bureaucrats, policymakers, and members of the diplomatic corps. Already in its third year, the 2018 Katipunan Conference focused on configuring the Strategic Outlook for the Philippines, given developments in regional security and economic environment, domestic politics and society, and the recent political change as a consequence of presidential succession in 2016. This concise documentation of the conference is the SSP's modest contribution in fostering meaningful and substantive discourse on pressing strategic matters facing the Philippines and the larger Asia-Pacific region.

The Strategic Studies Program aims to promote interest, discourse, and significant changes in Philippine foreign policy and capacity-building for strategic studies. The program views the Philippines' latest engagements with the great powers and other states in the Asia Pacific as a catalyst for further collaborative and multidisciplinary research between the intellectual communities within East Asia.

Strategic Studies is an interdisciplinary academic field centered on the study of peace and conflict, often devoting special attention to the relationship between international politics, geo-strategy, diplomacy, international economics, and military power. While traditionally centered on the use of military power for defense and security purposes, strategic studies have now evolved to embrace human and multidimensional aspects of security.

For developing countries such as the Philippines, which cannot draw much leverage from military resources and therefore need to rely on more diplomatic and political stratagem, strategic studies may focus on Philippine foreign and security policy, the management of international conflict, and how the country can develop the means to attain its long-term goals.

The 3rd Katipunan Conference will not have been possible without the support of UP CIDS and UP IMLOS. Special thanks also to the Office of the National Security Adviser and the National Security Council. I would also like to thank the assistance provided by SSP staff members Marvin Hamor Bernardo, Ramon D. Bandong, Jr. and Nathaniel P. Candelaria, as well as the UP IMLOS staff who worked tirelessly before and during the conference.

The SSP of UPCIDS remains committed in contributing to building a solid network of security scholars and practitioners in the country as well as sustain productive engagement with policymakers and other security stakeholders. Future knowledge products of the program will feature specific security issues such as maritime security governance, energy security, Philippine foreign relations, and regionalism and security. This publication serves as a snapshot to the issues of interest for the SSP and the Philippine security epistemic community.

KEYNOTE SPEECH

Secretary Hermogenes G. Esperon, Jr.
National Security Advisor

THE CHANCELLOR OF UP DILIMAN – DR. MICHAEL TAN; the Executive Director of the Center for Integrative and Development Studies – Dr. Teresa Tadem; the Convenors of the Strategic Studies Program – Assoc. Prof. Herman Kraft and Dr. Aries Arugay; Dr. Aileen Baviera of the Asian Center; Dr. Jay Batongbacal of the Institute of Maritime Affairs and Law of the Sea; Emeritus Prof. Carolina Hernandez; Gen. Edilberto Adan of the Philippine Council for Foreign Relations; Gen. Emmanuel Bautista of the office of cabinet secretary; Gen. Restituto Padilla of the AFP J5; fellow speakers and guests — Good morning. It is a great honor to be invited by any institution belonging to the premier university of the country – the University of the Philippines. UP Diliman was my great neighbor while I was in the Philippine Science High School, and my home during my night classes for my MBA in 1980-1982.

I take note that your conference program covers several thematic areas. I will cover a number of them and the topics that I chose are the current discourses in media, congress and universities. I will cover the topics: (1) global and regional environment; (2) cybersecurity and the 4th industrial revolution; (3) the west Philippine sea; (4) the Philippine rise and blue economy; climate change; and (5) the Mindanao problem. Excuse me for skipping the topics on defense outlook. I might linger on it and spend much of the time allocated to me as I have so much attachment on defense matters, being a former chief of staff of the armed of the Philippines. Let me just say that under the Armed Forces of the Philippines (AFP) modernization law of 1995-2010, Congress was supposed to allocate p300 billion, but the actual allocation was not even PhP100 billion. Now, we are complaining why the AFP cannot give a bold stand on the West Philippine Sea dispute, and some are complaining that it took us five months to defeat the ISIS/Maute group in Marawi city.

I define a strategic outlook as foreseeing the future and preparing for what is foreseen. In a strategic outlook, you forecast the future—particularly the probable threats and risks—but acknowledge as well forthcoming and undiscovered opportunities. Strategy planning is argued to be a process. Our predictions are tentative, hence we can only prepare preliminary plans, and plans are bound to change in order to meet the changing reality.

I would like to think that our strategic outlook should take into account the potentials and hopes of our people, the vast and unexplored resources of the Philippines as an archipelagic state, and the seemingly limitless opportunities available in a dynamic and interdependent world. Moreover, a strategic outlook should be driven by our common faith that tomorrow will be better than today, and by the wisdom of our leader.

Let me share with you now my thoughts on select topics.

On Global and Regional Environment:

Great power contest in the Indo-Pacific region is not a new thing. It has always been part of the security and economic architecture considering its geostrategic significance to global trade and commerce, and exceptionally rich marine ecosystems. However, it is only in recent years that the region has regained an unprecedented geopolitical focus from Indo-Pacific powers such as China, Russia, India, Japan and the United States as evidenced by their official statements. This Asian strategic system that holds both the Pacific and Indian oceans is now the hottest site of power contest among great powers as seen in their recent strategies: China's 21st century Maritime Silk Road; Russia's Rebalance to Asia; India's Act East policy; Japan's Indo-Pacific strategy; and the United States' Pivot to Asia and adoption of the Indo-Pacific framework in its new National Security Strategy. These strategies all lie at the heart of the Indo-Pacific, which inevitably give rise to a whole new set of geopolitical challenges, factors, and complicated realities in the region. The Indo-Pacific regional architecture now serves as a venue for shifting power dynamics and distribution happening in broader global affairs. The signs of an imminent move towards a pluralism of power are clear and they are becoming more pronounced steadily. Thus, strategic foresight of the evolving security environment is needed in order to safeguard and enhance our national interests.

And so we ask, how does the Philippines navigate safely through the shifting power dynamics and distribution in the context of the Indo-Pacific regional environment? The Philippine government is fully cognizant of this new geopolitical reality. In fact, the National Security Policy 2017-2022 identifies great power rivalries and other threats to the hegemonic power of the U.S. as one of the country's national security challenges in the external milieu. While the Philippines acknowledges the fact that the U.S. remains a global superpower, the rise of other regional powers is now also gaining significance. The Philippine government is very much abreast of these new power dynamics and is consistently on the lookout for opportunities beneficial to the national interest.

Furthermore, the Philippine government is also sensitive to a host of security subplots vis-à-vis the larger great power narrative in the Indo-Pacific. The South China Sea/ West Philippine Sea issue remains a dangerous flashpoint in the region due to the overlapping territorial claims and maritime domain concerns among various claimants. The growing militarization of the South China Sea, and the delay in forging a legally binding Code of Conduct (COC) in the disputed area continue to undermine the blossoming cooperation of frontline states in other issue- areas. On the other hand, trans-boundary security issues such as terrorism, piracy, smuggling, drug trafficking, human trafficking, cybercrimes and climate change, are push and pull factors for greater regional and global cooperation. There will be conflicts and issues but cooperation is a must on many issues.

Amidst the accelerating strategic competition among great powers, the Philippine government is striving for an independent foreign policy via a dual-track approach: (1) Steering the country closer towards new strategic partners, namely, China, Russia and India; while (2) Keeping traditional allies, particularly the U.S., militarily, economically and politically engaged. The country is now embarking on a more independent stance through an approach that puts a premium on finding the middle ground between high-value relations with other states¹ as a response to the arduous challenges of the evolving regional and global security environment. The administration is delicately engaging in a balancing act and the highly sensitive art of diplomatic maneuvering for the attainment of our national security vision and aspirations. As spelled out in the National Security Policy 2017-2022 – the Philippines is a friend to all, an enemy to no one.

¹ J. Gotinga, "Hedging: Duterte's Diplomatic Balance Act", 2016

Notwithstanding, the Philippine government is also exploiting and harnessing the strong potential of the ASEAN platform to further our domestic and regional concerns. The country's vigorous hosting of the ASEAN 2017 and its active participation in the ASEAN-led mechanisms send a strong signal that this administration highly values the role of the regional bloc as a venue for concerted actions against a myriad of security threats and that it recognizes the centrality of regional multilateralism in addressing our many domestic and regional concerns. In a larger perspective, the recent coming together of ASEAN leaders adds weight to the attainment of the *ASEAN Community Vision 2025* and even sparks hope to the soaring narrative of the rise of an Asian century—Asia as the new engine of global economic growth in the 21st century.

Regional cooperation in non-traditional security issues has to be sustained. The Marawi incident exposed the gaps in border security in the southern triangle of the Philippines, Malaysia, and Indonesia. Manpower, money, and weapons enter through our porous borders enabling the continuation and propagation of violent extremism in our country. The Manila Declaration to Counter the Rise of Radicalization and Violent Extremism is a framework ASEAN member-states should use in crafting national and regional action steps. Crucial steps mentioned in the declaration include: maintaining regional cooperation in the form of information sharing and exchanges on best practices, and strengthening existing regional mechanisms for addressing terrorism, radicalism and violent extremism through the conduct of a regular regional dialogue. Moreover, our aspirations for a drug-free ASEAN can only be realized through the continuous efforts of all member-states. These should include information sharing and intelligence exchanges along with focusing on capacity building among our respective drug control and law enforcement agencies.

There are three big challenges before us in this dynamic global environment: (1) Accept the forthcoming structural power shift of the global politics; (2) Recognize emerging global powers, and; (3) Expand partnerships and begin to move away from the long tradition of western exceptionalism as part of new hedging strategies.

Cybersecurity and the 4th Industrial Revolution:

According to Prof. Klaus Schwab, founder and executive chairperson of the World Economic Forum, we are entering the era of the fourth industrial revolution (4IR). It is characterized by a fusion of new technologies that is blurring the lines between the physical, digital, and biological spheres, impacting all disciplines, economies and industries, and even challenging ideas about what it means to be human. These emerging technologies, most of which are already being utilized today, include artificial intelligence, robotics, the internet of things, autonomous vehicles, 3-D printing, nanotechnology, biotechnology, materials science, energy storage, and quantum computing².

A country can assess its readiness for the 4IR and one of the available empirical tools that policymakers can refer to is the Network Readiness Index (NRI). The Philippines placed 77th among 139 countries in the 2016 NRI. The 2016 report indicates that the Philippines got the lowest ranking in readiness sub index at 92nd place, which denotes the conditions of limited available infrastructure and affordability. Political and business environment also remain low, as the Philippines placed 87th and 85th respectively. However, the Philippines continues to score high in usage and impact.³

Our government wants to play an aggressive role in providing a conducive environment for business to innovate and adopt with the rapidly changing developments in Information Communication Technology (ICT), improve the current ICT infrastructure, and pursue a sustainable and clear ICT policy. For this purpose, the president created the information technology review committee to review national broadband projects, where I was designated as the chair. Further, the president also ordered the National Telecommunications Commission (NTC) and the Department of Information and Communications Technology (DICT) to identify a third telco player that will compete with and break the monopoly of the two giant service providers.

In the midst of all the benefits that we obtain from this technological advancement exist corresponding security threats. Failure to protect these systems, processes, or data enables exploitation that could endanger a person's assets or life, and even incapacitate or destroy a nation's critical infrastructure. With this, we need to enhance our cybersecurity system.

² K. Schwab, *The Fourth Industrial Revolution: What It Means, How to respond*. Geneva: World Economic Forum, 2016

³ World Economic Forum Geneva, "Global Information Technology Report 2016." 2016

In response to these imminent threats to our thriving economy and security today, the government is pushing for human resource development, and research and development for technological advancement and innovations as part of the National Security Policy framework. Scholarships, both local and international, are being offered by different government agencies such as DOST, CHED, etc. to develop the nation's cyber and technological capabilities. Funding support for research and development and technology incubation are made available locally while also encouraging collaboration with universities abroad.

On a bigger scale, the challenges of the 4IR are hoped to be answered by a proposed legislation titled “an act establishing the science for change program” being pushed by the Department of Science and Technology and strongly supported by National Security Council. The bill, which already passed the committee level, aims to meet the UNESCO benchmark of the percentage of GDP expenditure on R&D should be one percent and 380 researchers, scientists and engineers per million population. One of the new R&D programs under the Science for Change is the R&D on national security and human security, which is a high value-addition in the way we program science and technology in the Philippines. Never before that did national security receive serious attention from the science sector. For there is a study that shows the direct relation between R&D investment and defense capability R&D 2016 Global Forecasting). Those countries in Asia that are listed in the top 40 R&D spenders, except one, are also militarily capable countries in the region.

On the West Philippine Sea dispute

Under the direction of President Rodrigo Duterte, the National Security Policy 2017-2022 was crafted in order to provide strategic guidance on pressing national security challenges such as in the West Philippine Sea. The Philippines secured a monumental victory when The Hague Arbitral Tribunal made its ruling that the Philippines has exclusive economic rights over the West Philippine Sea, and that China's nine-dash line claim has no legal basis. Even before the arbitration, China has maintained an active presence in the disputed waters, and it continues up to today. Information regarding the recent developments of China's island construction and installations are readily accessible via open source data databases online.

Given these developments, the Philippine government reiterates that peace and stability in the West Philippine Sea is our end goal and we will continue conducting our diplomatic negotiations with China without compromising our national interest and sovereign rights. But more importantly, we will proceed with prudence in order to avert the costly consequences of an armed confrontation that will place Filipinos in unnecessary danger and harm.

We will continue to pursue an independent foreign policy and engage claimant states in moving forward with a potential dispute management and settlement mechanism. A milestone in this endeavor is the adoption of a framework for the *Code of Conduct* in the South China Sea during last year's ASEAN Summit. However, a lot of work remains to be done in establishing a code of conduct that is comprehensive and responsive to the multitude of issues that surrounds the dispute. We have to adopt a hopeful albeit realistic outlook, anticipating the possibilities of disruptions and delays in said code of conduct. We therefore have to find alternative mechanisms that focus on possible areas of cooperation among the littoral states.

It is in the area of fisheries cooperation that a possible breakthrough is worth examining. There is a growing consensus most especially in the scientific community that shifting the focal point of the South China Sea discourse to joint development and management of natural resources would facilitate a more productive and inclusive discussion among various stakeholders and actors. This approach achieves two things. First, it addresses the immediate concerns of food security and environmental protection. Secondly, studies show that cooperation on common goods and resources generates a greater level of strategic trust that is necessary later on for possible cooperation on more sensitive issues including territorial disputes.

Now more than ever, the discussion involving fisheries cooperation is becoming critical. Recent estimates of total fish stocks in the South China Sea show they are now depleted by 75 to 90 percent. Catch rates have also decreased by 66 to 70 percent. Meanwhile, the per capita fish consumption has grown rapidly. In the ASEAN region, it has grown 1.8 times higher than the world average in 2013.⁴ projections indicate that fish consumption is expected to rise from 24.5 million tons in 2015 to 36.9 million tons to 2030, then hitting 47.1 million tons in 2050.⁵ the story in China is no different. Per capita fish consumption has grown 10 times, from 2 kg in the 1980s to

⁴ Chan, et al. *Fish in 2050 in the ASEAN Region*. 2018

⁵ *Ibid.*

21.1 kg in 2010. Numerous studies indicate that as overfishing continues to deplete fish stocks in the coastal waters, fisher folk from China and ASEAN countries will venture into the contested areas to compete for the remaining fish stocks. If not properly managed, fishing tensions could indeed lead to a confrontation between nation-states.

The literature on fisheries cooperation provides three key options, namely: (1) Marine protected areas (MPA) or a marine peace park, (2) Regional fishery management organization or multilateral fishery arrangement, and (3) Aquaculture. Given the varying levels of feasibility and effectiveness among these three options, we have to first begin where we can. We have to take advantage of the low hanging fruits in fisheries cooperation that is possible at this moment. These include conducting fisheries survey and research, joint search and rescue exercises, and intraregional fisheries trade. A concerted approach is nevertheless vital if we hope to achieve these endeavors. I will expand my discussion on this in the next topic.

The Philippine Rise and Blue Economy:

It was in April of 2012 when the United Nations Commission on the Limits of the Continental Shelf (UNCLCS) validated the Philippines submission of an Extended Continental Shelf (ECS) in the Benham rise region. This means that, in addition to the 200 nautical mile exclusive economic zone, there are 150 nautical miles of Extended Continental Shelf in Benham Rise, later renamed as Philippine Rise by President Duterte in his issuance of Executive Order no. 25 in May 2017. Given this development, the Philippine government is in the process of harmonizing its efforts toward an integrated management plan in the exercise of our sovereign rights, and in the management and protection of the resources in the philippine rise.

In August 2017, during the 17th Cabinet meeting, I was instructed by the President to integrate all efforts to ensure the protection of the Philippine Rise, including maintaining physical presence and surveilling the area. We held interagency meetings and the results thereof were presented to the Cabinet Cluster on Security, Justice, and Peace, and then to the cabinet. I also presented the proposal to Senator Loren Legarda, Chair of the Senate Committee on Finance, so that the recommended projects would be funded in FY 2018. Now, we are working on the inclusion in the General Appropriations

Act FY 2019 of the budget for acquisition of research ships for the National Mapping and Resource Information Authority (NAMRIA), the Bureau of Fisheries and Aquatic Resources (BFAR) and the Philippine Navy. Recently, I received an instruction from the President to be the clearing house for the issuance of permits to conduct Marine Scientific Research or MSR.

I believe that MSR need not be limited to a whole-of-society endeavor with government and the scientific community working hand-in-hand, but a whole-of-the-world approach. Such international cooperation should always be pursued with the overarching framework of an independent foreign policy and in the interest of the Filipino people. The results of MSR shall be used in formulating the long-term and holistic development plan for our maritime domain following the Blue Economy Framework. Blue Economy, a version of green economy made relevant to seas and oceans, is the vessel that would foster our sustainable use of our waters and its wealthy resources. It is an ocean-based economic model that employs environmentally-sound and innovative infrastructure, technologies and practices. Blue economy and the sustainable use of the ocean depends on understanding the role of the ocean and the economic activities affecting it, integration of economic, environmental, and social aspects, and coherent policies and management.

As such, scientific research and development initiatives are being supported by the government for more oceanographic exploration, inventory and discovery of other potential marine sources of food, energy, natural oil reserves and medicine. The results of MSR shall be used to develop strategic directions and actions as a way of translating the outcomes into planning and policy. Ocean-based industries that could be developed further and as new industries in the Philippines include sea-bed mining, oil and gas, port and infrastructure services, eco-tourism, fisheries, multi-specie aquaculture, desalination, pharmaceutical and chemical industries, biotechnology, and renewable energy.

Climate change, poverty and violent conflict:

Climate change impacts the material well-being of people: it slows down economic growth, makes poverty reduction more difficult, further erodes food security, and creates new poverty traps (Climate Change Commission Fifth Assessment Report 2014). The NSP 2017-2022 recognizes the na-

tional security implications of climate change as presented by the climate change commission report, that is, climatic events are contributing factors to the onset or intensification of several types of group conflict and social instability around the world. Changes in climate variability increase the risk of armed conflict in certain circumstances.

In the Philippines, the effects of climate change are more likely to be felt in areas home to the deepest pockets of poverty, where rain fed agriculture is the life line for the smallest and marginal farmers, according to Inang Lupa Foundation.⁶ With the impacts of climate change, existing water and land scarcity will be aggravated further. Agriculture employs 11.8 million people or 35.1 percent of the Philippine total work force. Almost half of the population is dependent on agriculture, mostly in the rural areas and among the poorest. The Kidapawan farmers' tragedy in January 2016 is an incident that proved the tight nexus of climate change, poverty and social violence. Certainly, the President does not want a repeat of Kidapawan incident. Hence, the President in his 2017 SONA referred to climate change as "a looming problem which will cut across all classes and all sectors of society and eventually affect the entire country from north to south, from east to west..." The impact of climate change compelled us to invest more in research, development, and innovation to combat its consequences. We continue to improve the weather, climate and flood forecasting and warning methods, started the modernization of the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), trained more meteorologists and many more.

On the Mindanao Problem:

Your conference program includes a topic on political stability and I assume that the focus is on federalism. Instead of federalism, I would rather talk about the peace formula developed and agreed by the government and Moro Islamic Liberation Front (MILF). Being a former soldier and presidential adviser on the peace process, I was part of the making of this peace formula and I advocate for it.

The passage of Bangsamoro Basic Law (BBL) addresses two national security interests. First, BBL is the key to the full implementation of the GPH-

⁶ Inanglupa Movement, Inc., "Inang Lupa Roadmap Towards a New Philippines Agriculture 2020."

MILF Comprehensive Peace Agreement that would allow (1) the peaceful transition of the MILF from an armed group to legitimate political actors competing in fair and free elections where their rights and aspirations are pursued solely through democratic means, (2) establishment of a more representative and responsive autonomous government, and (3) the continuation of development initiatives that address the widespread poverty and delivery of basic government services. Second — BBL will minimize the threat of violent extremism and radicalization in the Philippines because the non-passage of BBL is a serious grievance against the Bangsamoro and a potent source for loss of faith in the peace process.

There are several positive national security implications if our legislators address the immediate passage of the BBL. Passage of the BBL will lead to the settlement of one of the longstanding internal armed conflicts in the Philippines, which would allow the AFP to focus more on our external security and allocate more resources and attention to protecting our territorial integrity and maritime domain. Moreover, BBL can help curb the spread of extremism in Mindanao as the Bangsamoro government would be able to assist moderate Islamic leaders counter the ideology of radicalism. Based on the government timeline, BBL will be passed in year 2018, with the holding of plebiscite in the same year, establishment of the Bangsamoro Transitional Authority (BTA) in the years 2018 to 2022, and the election of Bangsamoro officials in 2022.

These are the foresights, policy and program directions, and hopes of the Duterte administration which I believe are strongly shared by the Filipino people.

As my concluding statement, I quote H.G. wells' maxim—“*Adapt or perish, now as ever, is nature's inexorable imperative*”.

Thank you and good day!

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SESSION 1: STRATEGIC ENVIRONMENT

Panel Chair

Jaime B. Naval

Strategic Studies Program

Shifting Power Dynamics and Distribution

Aileen S.P. Baviera, Ph.D.

Asian Center, UP Diliman

Dr. Baviera argued that the current power shift is characterized by the rise of Asia and the decline of the influence of US and Europe. One evidence for this is the increased role of G20 in steering the world economy, a part that was formerly dominated by the G7. More importantly, she noted the fast rise of China, projected to be the world's number one economy by 2026. Despite the available economic data and projections, Dr. Baviera mentioned that some would still argue that US remains the superpower especially with its huge budget for the military and the number of allies and bases it has all over the world. In relation to China, US holds greater soft power resources such as culture and ideology. She also stated that China is too integrated with the United States of America and global economy for it to move in its own direction. On the Asia-Pacific region, Dr. Baviera claimed that power is diffused into a multipolar strategic combination of China, India, and Japan.

In anticipation of a full-blown power shift, Dr. Baviera asked the critical question: "Will the dominant power accommodate or deny the challenger's demands and expectations?" China is already challenging the rules-based liberal international order in terms of setting aside arbitration ruling and promoting new organizations. Dr. Baviera feared that there is high potential for conflict when the challenger state becomes dissatisfied with the status quo the moment it reaches the stage of relative equivalence of power with the dominant state. This imminent conflict is however disregarded by others as war would just be too costly for both states, and the Asia-Pacific is big enough to accommodate two superpowers.

Dr. Baviera explained that power shift has implications for global order. This affects and/or alters the distribution of power between nations leading to formation of new political and economic entities. With reference to China, states now have the option to either engage/accommodate/appease, resist/push back/isolate, or to do both dynamically as in hedging. Dr. Baviera is interested to know how the Philippine government will go about it. She provided possible scenarios for the country over this power shift. These include (1) redefining alliance and developing comprehensive relations with US, (2) balancing, bandwagoning or hedging with China, and (3) forming new relations with Southeast Asia/ASEAN states.

ICT and Strategic Advantage
Emmanuel C. Lallana, Ph.D.
Chief Executive for IdeaCorp

Dr. Lallana started off his presentation by posing the question: “How can ICT help the Philippines develop a way of doing things that will make it more successful than others?” According to him, evidence of ICT as a strategy is already adapted by Philippines as shown in the boom of the outsourcing industry whose revenue recently equaled that of OFW remittances. In addition to the BPO industry, Lallana suggested other ICT strategies for the country, such as precision agriculture, robotics, eGovernment, and eDiplomacy. Lallana mentioned that if the country is to progress it needs to invest on ICT development.

Citing the works of Manuel Castell on “network society”, Lallana explained that ICT transforms intra-state and inter-state relations. Together with markets and hierarchies, it is now networks that dominantly constitute the social morphology of modern societies. The networking logic substantially modifies the operation and outcomes in processes of production, experience, power, and culture. Moreover, Lallana stressed that ICT-enabled networks have led to the globalization of core economic activities, media and electronic communication, as well as crime, social protest, and trans-border terrorism.

Lallana asserted that ICT-enabled networks does not mean the end of the State but rather its transformation. He put forward the concept of a “network state” characterized by the following elements: (1) shared sovereignty along a network, (2) emanates from the complex networks of power, being manifest in a multi-level and multi sector decision-making system based on negotiations, (3) the state as coordinating node of complex societal processes, and (4) transformation of nation-states “from sovereign subjects into strategic actors”. On the question of “How do we achieve our strategic goals in the network state?”, Lallana did not provide any definitive solutions, but gave a new perspective of analyzing the state.

Politics of Climate Change
Herbert V. Docena, Ph.D.
 Department of Sociology, UP Diliman

Dr. Docena highlighted the devastating impacts of climate change by using the examples of Hurricanes Katrina (2005) and Matthew (2016) in the US, and Typhoon Haiyan (2014) in the Philippines. He also emphasized the slow on-set impacts of climate change, particularly on the rise in sea levels. Dr. Docena considered climate change as one of the most important foreign policies of Philippines given the countries high vulnerability and its potential impacts on agriculture to which the economy is heavily reliant. This is despite the low carbon emission of the country.

The ratification of the Paris Agreement in March 2017 by the Philippine government brought back old issues that were not fully addressed in the negotiation. Among this is the varying level of commitment of developed and developing nations given the great discrepancy in carbon emission. In providing a historical perspective to explain the present global climate regime, Dr. Docena identified five camps competing for power and influence, namely (1) extreme liberals, (2) moderate liberals, (3) progressive liberals, (4) reformists, and (5) radicals. He considered the Paris Agreement a “liberal compromise” for letting nations decide among themselves target cut emissions instead of obliging major polluters to commit more. Based on the calculation of pledges, on the assumption that everyone will comply, this will

only result to a two-degree Celsius decrease in global temperature, a change that will not avert the imminent threats of sea level rise.

The Philippines has two options in Dr. Docena's opinion in relation to climate policy: First is to continue rallying behind the progressive liberal call to make the most out of the agreement by pushing for strong implementing rules and regulations (IRR). Dr. Docena, however, cautioned that our ability to influence IRR is limited, and has become even more limited. Second is to reject the liberal compromise and push for a different agreement in terms of carbon emission and resource transfer. This also means preparing for tremendous opposition and pressure from the superpowers.

OPEN FORUM

Dr. Baviera was asked on her opinion regarding China's push for the removal of the presidential term limit. In her view this is an expression of China's effort to set the rules at the regional level. The implication is that while removing the term limit is a setback for Chinese democracy and political maturity, the purpose in keeping leaders in power for a longer period of time is for the continuity of Chinese policy. This will surely contribute to the hastening of the shift in power to China, but must be handled peacefully and responsibly given domestic opposition.

For Dr. Lallana, the question posed was: "How does the Philippines maximize ICT?" Dr. Lallana explained that all it takes is an enabling national government policy, including the development of social media guidelines for public officials.

A question was directed to Dr. Baviera on her perspective on the current joint explorations with China in the West Philippine Sea/South China Sea. She pointed to the fact that this is a pragmatic solution given the power shift. This, however, should not sidetrack the value of rules and efforts for a regional code of conduct (COC). Dr. Baviera explained that this is not the first attempt for a joint project with China as there have been coordinated seismic surveys in 2004, 2005, and 2008 under the Arroyo administration. Logically, if those were successful it could have led to some form of cooperation. The current development is a renewed attempt. Though there are

still obstacles, both legal and technical, the Philippines needs to be strategic, especially if the conclusion of the power transition favors China. The Philippines needs pragmatic solution; it is an option that can be put on the table. The country needs these resources in the region and needs them fast. If dispute will prevent this, it is a loss to both sides. She also stated that fisheries cooperation will contribute to reducing tension and solutions that will make parties work together.

The following questions concerned the strategy of the government in relation to the territorial dispute happening in the South China Sea and Benham Rise. When asked on her assessment if these strategies are cognizant of the power shift or does she feel that the government is moving forward the wrong direction, Dr. Baviera does not see it as an entirely wrong move but the Philippines has given up too much, too soon. For her, the country is not putting the arbitration ruling aside, but waiting for the right time to bring it back on the table. As for now, it is her opinion that the country needs to seek cooperation with China, as stability in the region remains a top priority. The challenge should have been how to make China come to a constructive role in the region. What is more imperative for the country is to preserve regional stability. There is a need for more nuance in the country's policy. China also respects countries that stand up for their own rights the way it does.

Regarding the US National Security Strategy (NSS) identifying China and Russia as hostile powers, how would Dr. Baviera advise the Philippines on how to read this in the context of changing power shift? Dr. Baviera explained that the country should look at actions and not words. She notes that the U.S. now has no clear policy because of President Trump. NSS attempts to force some issue for their president to confront. The document is also an attempt to ensure allies and partners that they are still present, and that they know what they are doing and have taken stock of the situation. Some allies are looking for that assurance. Some already decided to keep their options open.

On the topic of energy security and the Philippines' optimization of its available options, Dr. Docena posed a more important question as to why the government is having a hard time doing more, emphasizing constraints that continue to hamper the desire to promote renewable energy. Coal remains the cheapest source of energy, and banning coal entails political costs.

Dr. Lallana answered the question on the independent development of the Philippines' ICT, by noting that it cannot be solved by market alone. The countries ICT infrastructure policy is far more market oriented. The telcos (telecommunications companies) should not lead the way and some regulations must come in. The government needs to recapture National Telecommunications Commissions (NTC).

On framing the issue of climate change to a more positive light by highlighting the need to develop the country's own water resources, Dr. Docena mentioned that the Philippines should not lose sight of the fact that even at the country's best effort, for as long as other countries continue to emit more, the Philippines' contribution would be very small.

On the suggestion of using poverty alleviation as an overarching policy framework, Dr. Baviera explained that the Philippines does not have the luxury of attending to poverty first, given the immediate threats present.

SESSION 2: REGIONAL ENVIRONMENT

Panel Chair

Ma. Anna Rowena Luz G. Layador-Roaquin
Department of Political Science, UP Diliman

Maritime Situation

Jay L. Batongbacal, Ph.D.
Director, Institute of Maritime Affairs and Law of the Sea

DR. BATONGBACAL PRESENTED on the Philippine maritime situation, and focused on the roles the country plays in the strategic environment. The Philippines is an important place within the maritime environment, especially for geo-political purposes at the gateway between South China Sea (SCS) and the Pacific. Because of its location, the Philippines happens to be a major bulwark for regional maritime security.

Historically, the country has also played a pivotal role in U.S. geo-strategy as a place where the US used to project its regional influence and control. In addition to being a staging ground for a swing force of military power, which could be deployed to the Middle East and across Northeast Asia, the country also plays an emerging role in the geo-strategy of the US against its competitor—China. This role has been well-settled since 1898, when the US knocked out a role for the Philippines in its geo-strategy, working under the concept of sea power. Fast forward to today, the sea lines of communication still prove the American perspective on sea power. Any major power who pays attention to this will see the value of the Philippines and its potential influence on events. Despite the changes in administration from Obama to Trump, the American military strategy is still very consistent.

On the other hand, there is China, which is the emerging power in the region, expanding and presenting challenges for the US. One key feature that many analysts pay attention to is the Two Island-Chain Strategy. The island chains demarcated as security barriers, and China needs to exercise greater influence and control over these areas for strategic military perspectives in

order to protect itself from any potential adversary, because its most vulnerable areas are its coastal regions.

On the Belt and Road Initiative (BRI), China is trying to build an economic system around it that feeds into its needs and resources to sustain its huge economy and ensure growth. Naturally, this includes the need to establish access to resources and markets abroad through the BRI.

China is doing the same thing the US did in 1898, when it turned into a superpower through its Belt and Road Initiative. Considering the existing network which represents the US hegemony and global dominance using power, it can be seen that the China represents a challenge through the BRI, as it attempts to establish its own economic network within that system. This is where the challenge comes in.

Maritime Security Arenas in the Philippines

West Philippine Sea (WPS)

There have been major developments in the past two years on the issues of the West Philippine Sea. The Philippine government has engaged in a policy of friendship with China, which, in many respects, is completely opposite to what the previous administration did. Dr. Batongbacal sees that in the foreseeable future the 2016 Arbitration Award will continue to be on the back-burner. Because of this, there will be diminished opportunities to effectively leverage the award in international negotiations.

The emphasis of the current administration on a bilateral consultation mechanism will tend to draw issues away from multilateral discussions. This will result in the general improvement of Philippine-China relations, due to economic tethering efforts, not to mention this is China's preferred mode of dealing with disputes—quietly and bilaterally. While this is happening, China's artificial islands will continue to be fully operational and militarized. The operations communications/sensor networks will give China unparalleled surveillance capability in the SCS and beyond, including the Philippines.

China is beginning to achieve maritime dominance versus ASEAN claimants in the WPS. With respect to the air, China is seen to achieve superiority over

the Philippines once sea/air units are permanently based in the Island Trio (Fiery Cross, Subi Reef and Mischief Reef). Now, China conducts regular air patrols over the Scarborough Shoal. Due to this air superiority, the country should further discourage militarization in the Island Trio. On the other hand, there have also been marine science research activities, and some of them are openly reported by Chinese media, as well as in English language channels.

Between 2016 and 2017, the occasional presence of China in the WPS had been evident. China got much closer to shore, as demonstrated by the capture of an underwater drone belonging to the US and sightings reported by the AFP.

The fishing vessels are concentrated around the Kalayaan Island Group. In terms of fishing capacity, the Philippine commercial fishing fee has remained stagnant over the years, while those in China and Vietnam continue to grow.

The United States is expected to sharpen its competitive engagement with China, which was evident when the US conducted its first freedom of navigation operation. This is all part of the kind of the maritime deterrence strategy deployed by the US, and it is only going to be more regular and nuanced. There will be increased presence/transit of forces to the region, which might bring problems for China or for the Philippines, depending on how they are perceived. This all contributes to the US National Security Strategy's objective of maintaining free and open common domains, and SCS being one of the most common domains. Furthermore, the US also is expected to continue coalition-building with non-allied countries (e.g. Indonesia and Vietnam).

While this is happening, other major powers, like Japan, will continue to engage in quad-building as they try to establish, or at least maintain as a "free and open Indo-Pacific." Australia and India are the other powers that are most likely be interested in this, which will coincide with the US strategy (Trump's own Pivot to Asia). The idea is to ensure that the region remains free and open because of the fear and concern what China is essentially moving towards a closed control area enclosed by the two island-chains.

Benham Rise Region/West Pacific Seaboard

China's presence in the West Pacific will be seen as not too close, but noticeable enough, as the People's Liberation Army- Navy (PLA-N) and the People's Liberation Army- Air Force (PLA-AF) exercise and expand further outward from the East China Sea and the South China Sea.

There will be continuing China Marine Science Research (MSR) presence as it expands and sustains its research program in the West Pacific, as well as other foreign MSR presence (Korea, Japan, US, etc.). A concern, however, is the use of not so visible research vessels. According to Dr. Batongbacal, through the use of underwater autonomous vehicles, China has conducted research in the Philippine seas even from afar. Many other countries are also deploying underwater drones, floating platforms, drifters and other instruments, and are inevitably carried by the currents into the Philippines EEZ on the Pacific side.

China considers the development of Marine Science and Technology (MST) as one of the means to create and sustain maritime power. They have the largest fleet of MST research vessels—46. At least three of them are in SCS, another six in the West Pacific.

Sulu/Celebes Sea

The Sulu/Celebes Sea continues to be a hotbed for transnational criminal activities, because of this, the Philippines managed to forge a *Trilateral Cooperation Agreement* (TCA) with Malaysia and Indonesia. Under the TCA, the three countries are to coordinate their maritime patrols, establish means for immediate assistance of people and ships in distress, and establish national focal points for sharing information, intelligence, communication hotlines.

TCA is just getting off the ground, established in 2017. This kind of security set-up will be good for the region, although it comes with certain risks. Essentially, this gives up a significant portion of the Philippines' unilateral ability to conduct law enforcement, as it allows Indonesian ships to operate in the Philippine waters. The Malaysian and Indonesian side have relatively fewer areas than the Philippines, which is seen as disadvantage. Dr. Batongbacal also warns about the possible implications if the President pushes through the with idea of China securing the Sulu/Celebes Seas from pirates.

Looking at the overall situation, Dr. Batongbacal raised some issues regarding the friendship policy with China has given it full freedom of movement in the WPS, and the increasing military operations of China in the Benham Rise Region/West Pacific Seaboard. This militarization has implications for the Sulu/Celebes Sea, as it may be seen as an invitation for China to also operate in that region.

“The Philippines would be playing a crucial role in allowing the two island-chain strategy to succeed in establishing a possibility of closed area—if we are not careful,” Dr. Batongbacal concluded.

Regional Security Architecture

Julio S. Amador III

ASEAN Studies Center, New Era University

“Let me start with a story. In 2007, four peopled walked into a room, and it sounds like the beginning of a joke. They did it again in 2017. Four representatives of four countries (Australia, Japan, India the US) walked into a room in Manila to discuss the beginning of what they call the quadrilaterals. Their main concern is the rise of China, which seems to have both the money and the will to challenge the current international order.”

The task given to Mr. Julio S. Amador III was to discuss security architecture. He began by stating that there is no neat design that will manage the various security challenges that the region faces. Looking at the regional picture, there are the ASEAN-lead mechanisms and US alliances, and the Philippines is a US ally, as well as Chinese-led mechanisms. There is, in fact, a multilayer of intercepting network of countries, that are friends, *frienemies* and rivals. The Philippines is in a difficult situation because it is not even a middle country, yet it is in the middle of it.

According to Mr. Amador, the main challenge is how to deal with the rise of China. A country that believes it has outgrown the existing international order. The argument here is that there are international rules, and China believes that it needs to put a stop to these rules.

In 2017, the U.S. declared that it is moving away from terrorism as their main security challenge. According to their National Defense Strategy, it is now strategic competition that is going to be its foremost concern. The strategic competitor to the US is primarily China, but also includes Russia, Iran and North Korea. In these most delicate times, there is a great concern among many strategists if the US can continue with its leading role in the region. Self-help might be the name of the game in the next few years.

The recent developments with regard to Xi Jinping now being able to hold the presidency forever did not begin yesterday. The Chinese Communist Party (CCP) chartered in the 19th Party Congress that Xi Jinping is the living compass of the Party. According to analysts, he is making sure that he is not leaving any room for criticism.

The good news is, at least for the Philippines, it knows who it is dealing with. By 2020, the Philippines will know that it is Xi whom the country has to deal with. Unfortunately, China is a geographic reality. It has the resources to ensure that its presence will be felt, not only in the Indo-Pacific, but beyond.

This raises concern, precisely because by being a great power, China unsettles its neighbors. Japan, the most influential country in the region, which has taken active initiative to ensure that not only does the U.S. fully committed to the region's security, but also that Japan itself is prepared to uphold its end of the alliance. Japan has been providing plenty of assistance to countries in the region to accomplish this goal. Prime Minister Shinzo Abe was the first to articulate a vision for the Indo-Pacific region in his 2007 speech "Confluence of the Two Seas". In 2017, ten years later, the quad is being revived slowly. Mr. Amador expresses hope in this quadrilateral arrangement

In addition, there are concerns about North Korea. It continues to pose risks that may result to regional conflict and strategic miscalculation. The good thing is that North Korea becomes a point of convergence for both the US and China, together with the international community, to find a way to maintain peace and stability.

ASEAN has provided a venue, the East Asia Summit, for countries with competing strategic interests to gather. If the member nations are serious about it, there should be a drive towards looking at the East Asia Summit as the fulcrum for discussions on security issues.

“To sum up, the international rules that underpin our current order do not anymore provide for the safety and security or, at least, the assurances that other countries pave for. China is the main challenger of those rules, because of its belief that those rules are now constraining its rise, and how we response to this is the biggest strategic question that we are now facing.”

OPEN FORUM

On the questions relating to the current power dynamics or power shift, the main focus was on the way by which the Philippines could protect its own interest or prevent tensions from escalating. Mr. Amador responded that most of the power transitions have always been violent, involving countries with different ideologies, which seems to be the condition for today. The only way a country can be a superpower is when it wages a systemic war. The last time that it happened was the Cold War between the US and the USSR. If China is going to be a superpower, does that mean that there will be a confrontation? It seems that right now, both sides are looking at proxies, countries that are significantly weaker.

In Mr. Amador’s opinion, ASEAN, as a mechanism for dialogue among great powers, has failed to transcend the national interests of its members. ASEAN may still be the mechanism for cooperation, but for strategic issues, ASEAN might not be the proper forum.

This was followed by the suggestion that, perhaps, we are dealing with the rise of China in terms of conventional thinking. Recent studies have shown that China is not interested in matching the US, power for power, ship for ship, submarine to submarine. China is, in fact, engaging itself to a systems destruction warfare, that is destroying the systems before ships and planes may be deployed. This makes future conflict even more destructive, because it is destroying systems before attacks can be launched (i.e outer space, cyberspace)

Dr. Batongbacal emphasized the need for the country to decide what clearly are the national objectives. In the maritime area, the national objective should be clear, it should be preservation of the resources, so that they will continue to provide for the country. Second is to maintain and preserve unhindered access to those resources. He believes that militarization was the

original objective, but PH has been reluctant to fully invest itself into any kind of complication.

Knowing that there are these two competitors, Dr. Batongbacal thinks the better question is, “How do we navigate within a storm? How do we ensure that we protect our own objectives while this storm takes place?” For him this is something the country still has not generated general consensus about, still debating on taking one side over the other. Or, is the Philippines actually acting independently, or moving towards more dependence for the sake of so-called independence? The answer to that question will be determined by whether or not we are able to achieve the objective.

During the second round of questions raised in the open forum, Dr. Alan Ortiz of the Philippine Council of Foreign Relations raised the ideas of negotiating for multiple Mutual Defense Treaties (MDTs). He suggested that there is a fourth way, proposing to negotiate and sign mutual defense treaties with China, Japan, Australia and New Zealand. For China specifically, Dr. Ortiz suggested using the MDT to gain access to development resources, as part of an independent Philippines foreign policy.

Dr. Batongbacal, responded to the points raised by Dr. Ortiz, in the following manner:

“China does not believe in security alliances. It believes that national defense is the sole prerogative of only one power. That’s why they don’t have such alliances. I don’t think having treaties with all sides will work. All those other sides will also see it.”

Another question was raised by Professor Amado Mendoza Jr. from the UP Department of Political Science. His question pertained to the difference of the Cold War and the situation to today between the US and China, stating that the shared economic interest of both countries is completely different from the economic exclusionary system used by the US and USSR. This shared economic interest is asking for new formulas of analysis.

Dr. Batongbacal agreed with Prof. Mendoza’s point that the situation is entirely different, and expressed a perplexed view on the situation. His suggestion is to stick to the Philippines’ own self-interest and objective, to have a clear idea of what the country wants to happen.

One of the members of the audience, His Excellency David Strachan, the New Zealand Ambassador to the Philippines, gave his comment about the role of New Zealand as far as New Zealand's strategic interests are concerned. Ambassador Strachan emphasized that the best means of defense is enhanced economic interdependence, drawing attention to New Zealand's efforts on establishing good trade negotiations.

For this Mr. Amador expressed his envy for New Zealand and its geographic location having "to the west Australia, to the north fish, to the east more fish and to the south penguins."

With regard to the role of China, one of the members of the audience shared that China may not be there to scare everyone. Discussion boiled down to looking at the actions, not the words or rhetoric of China. Though they may not be intending to create any kind of fear, but they're actually posturing so they can make everybody conform to their designs. They're trying to destroy the systems and establish a new world order to serve their own interests. The same world order they used to grow their economy is the same world order they seek to destroy. That mindset must be changed. Another member of the audience, Asst. Prof. Jaime Naval of the UP Department of Political Science, raised the importance of leadership, and the accountability of the leaders for every word they utter.

"Leaders are to be held accountable by the promises they give. With the kind of the President we now have, it's difficult when you make him accountable or not. What do you think accounts for the change between the bravado of PRRD with his plan of planting the PH flag on Scarborough Shoal and the shaking of the hands? Are we doing policy by *capricho*, by *alburoto* or by *tsamba*? There's a mix of methods that seems to be appropriate to describe the way the government is doing policy. Is this one of those ad lib ways by which the government articulates its national interests?"

With regard to the points raised by Asst. Prof. Naval, Dr. Batongbacal responded that he has given up on trying to interpret the meaning of the Presidents pronouncements. Viewing it as "performative politics," performing for the audience but ultimately doing what the government decides. The actions of the government are not consistent, leaving the situation unpredictable.

On the statements made by Prof. Mendoza on the respective leaders of the US and the Philippines, Dr. Batongbacal noted the unpredictable nature of

both presidents and how this behavior affects foreign policy dynamics. In particular, how such leaders complicate analysis and renders decision making captive to the whims of the leadership.

Mr. Amador points back that the problem is rooted in the Philippines' national interests. With the assumption that ASEAN was an avenue for shared regional interest. The bottom line being that in the absence of a clearly defined national interest, the Philippines allows the US and China to shape the countries behavior.

Dr. Batongbacal identifies that the immediate challenge is that our leaders are making decisions on conditions of certain complexity. There are no simple answers anymore. His suggestion is that academics and the country in general has to study the fundamentals, gain more access to information, more intelligence, and a little more certainty on how things are run.

The panelists concluded the session with the following statements:

Mr. Amador intimated that we might be starting with the wrong questions, that's why the answers are wrong. It's good that here, we are asking the right questions. Dr. Batongbacal echoed the sentiment that the process must be continued and the difficult questions asked, emphasizing that the country as a whole should forge on its own decisions. The objective being is to always be able to maintain the country's decisions and consider various perspectives. Hindsight is always better.

Mr. Amador noted that it is not about balancing, bandwagoning, hedging, or making trade agreements. In 2017, they said that the issues would be concluded, however, a lot of difficulties arise from national interests.

SESSION 3: DOMESTIC ENVIRONMENT

Panel Chair

Antoinette R. Raquiza, Ph.D.
Asian Center, UP Diliman

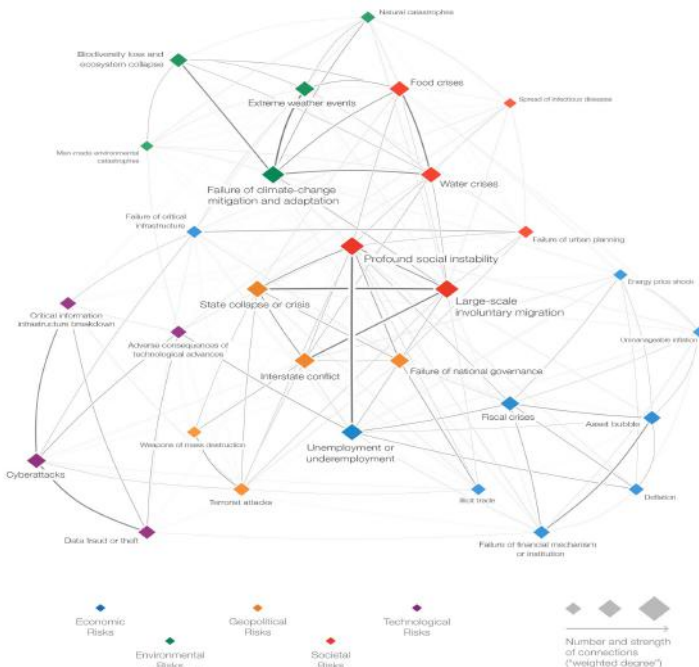
Economic Sustainability and the Domestic Environment

Gilberto M. Llanto, Ph.D.

President, Philippine Institute for Development Studies

DR. GILBERTO LLANTO BEGAN BY PRESENTING a snapshot of the global economy. As the global economy is still recovering, there have been various attempts by bigger economies to propel economic growth. Dr. Llanto remarked that “things have changed in the global marketplace, but the contours (of the global economy) would still be there.”

After all the slowdown, weaknesses, and global turmoil, the International



SOURCE: WORLD BANK

Monetary Fund (IMF) is quite optimistic when it comes to emerging and developing countries in Asia with a global growth forecast at 3.9% for 2018 and 2019. The IMF is saying that this recovery is supported by pickup in investments, manufacturing and trade, and industrial production, coupled with rising business and consumer confidence.

What is happening in the Philippines reflects what is happening around the globe, although risks abound. In many countries other than advanced economies, inflation remains weak. But prospects for growth in GDP per capita are held back by weak productivity growth and rising old-age dependency ratios.

The chart above is a depiction of how the World Economic Forum 2016 saw the interconnectivity among risks worldwide. An example is how a large-scale involuntary labor migration can be triggered by a simple water crisis. There is an imminent problem between Ethiopia and Egypt, and Sudan. The head waters of the Nile are coming from Ethiopia and goes down into Sudan and Egypt. Ethiopia is building a dam that will have profound effects on the Egyptian and Sudanese economies. A single incident could trigger war and global instability. This is similar to what is happening in Mekong that runs through several countries, with its head waters occupied by China.

Rising Protectionism

The greatest promoters of the liberal international order are now hiding behind protectionist measures, because jobs and manufacturing capabilities are being transferred to China. Nonetheless, according to Dr. Llanto, what is more worrisome is the impact disrupting technologies have on job structure. In 2007, the biggest global companies were mostly manufacturing companies, those would be the global tech companies with large market capitalization, but with the scale of employment reduced. Tech companies are relying more on artificial intelligence and robotics, and have shifted production to machines.

What has been the result? McKinsey estimates show that forty-five percent of the global working age population is underutilized, either unemployed or underemployed. This phenomenon is global, the Philippines included. Moreover, inequality within countries has been rising. Economic theory predicts that in the future there will be convergence, meaning that poorer countries will catch up with developed countries. This has happened with respect

to countries like South Korea, Taiwan, and Thailand. However, many other countries are not able to catch up, meaning there is no convergence. The deeper problem is within countries themselves. Inequality within countries like the US have triggered protectionist sentiments, especially among blue collar workers. This reflects the inequality paradox: inequality among countries has been decreasing, but within countries, inequality increased.

Status of Philippine Economy amidst Global Uncertainties

Dr. Llanto started the topic with a question, “*How do we maintain sustained economic growth or propel the economy to a higher level of growth?*”

Based on the Philippine National Accounts Updates Q4 2017, there was a 6.6% GDP growth in 2017. The country is moving away from services, as it picks up manufacturing, trade, real estate, renting and business activities. Overall, the country’s economic performance is strong, given the recent developments that seem to point to a favorable pattern of structural transformation. However, external and domestic risks loom ahead, such as the deep challenges in reduction of poverty and inequality, and job creation.

The structure of the economy is changing, with Services remaining the main contributor to growth and the industry slowly increasing its share in output. On the one hand, agriculture is shrinking, which means that the country is not producing enough food. Yet agriculture still holds the largest share of employment in the country in terms of low-productivity jobs.

Since 2009, the Philippine economy has sustained a remarkable growth, and the government has maintained a sound fiscal balance along a sustainable debt plan. In terms of monetary policy, signs of stability can be observed in the single digit inflation rate, which was approaching double-digit levels in 2010, but since then has remained under 5 percent (the official target). Recent developments point to a favorable pattern of structural transformation because the economy is shifting from just a service economy to a more balanced economy.

Prospects for Growth

Dr. Llanto noted that data collected by the BSP shows that consumer confidence is positive, and business firms have a positive outlook on the economy. On the supply side of the economy, growth is expected in the following industries:

- Manufacturing (in the middle of a resurgence)
- BPO
- Tourism
- Wholesale & Retail Trade
- Construction and Infrastructure development
- ICT services (which have led the way with 18.23 billion USD in 2016)

Focusing on ICT services, Dr. Llanto states that the ICT industry is a continuing and reliable source of liquidity for the economy. This liquidity, even during the economy crisis, has pushed consumption to higher levels, resulting in more goods production with growth being internally driven.

Looking at the impact of technologies (e.g., AI, robotics) on the labor market, Dr. Llanto observed that there are jobs that will be lost, like routine jobs. Call center agents may lose their jobs in the next ten years as a result of AI replacements.

“We used to think of robots as only machines that will work for us, but in developed countries, they think of them as *cobots*—collaborative robots—which learn. Algorithm enables it to master putting your time, unlocking the door for you.”

According to him, boosting services and strengthening linkages to domestic sectors such as manufacturing can spur growth. Manufacturing continues to surge, but the country needs reskilling and upgrade the levels of education and making skills competitive in the region.

Dr. Llanto mentioned the *Build-build-build* infrastructure initiatives of the current administration, saying that this project of the government will create a lot of employment, just like MRT-7, but the country needs to do more to increase employment.

This government has rightly focused on the issues affecting manufacturing. One such issue is the failure of coordination among agencies, therefore there

Some major constraints

Area	Major Constraints
Regulation	<ul style="list-style-type: none"> • Complex/costly business procedures • Policy consistency, transparency, predictability • 60-40% foreign equity rule
Infrastructure	<ul style="list-style-type: none"> • High cost of power, transport and logistics issues • Lack of ports, airports, road infrastructure
Finance and related matters	<ul style="list-style-type: none"> • Lack of access to finance, technology, support for start-ups, product standards, network links
Human capital	<ul style="list-style-type: none"> • Lack of skilled workers, problems with standards & certifications, quality of education
Innovation	<ul style="list-style-type: none"> • Industry-academe linkages, R&D facilities
Supply/value chain	<ul style="list-style-type: none"> • Weak linkages among manufacturing, agriculture, & services • Cross cutting issues
Inputs	<ul style="list-style-type: none"> • Raw materials, power, modern technology

SOURCE: GILBERTO M. LLANTO, PH.D. PRESENTATION TO THE 3RD KATIPUNAN CONFERENCE (2018)

is now a more concerted drive to provide support, although there are legal constraints and issues on business regulation.

Product Space (Hausmann and Klinger 2007) features a dense network, and the center (densest) is where the manufacturing is. The Philippines is not in the dense part of the forest of this network, as it is in the less-connected periphery.

Structural transformation is seen as a movement through product space, a process of producing and exporting more complex products. Using network analysis, more sophisticated products are located in the densely connected core. The challenge is to move to the dense part of the network, so there will be high value added and higher returns. Dr. Llanto emphasized on this as one way for poverty reduction.

Some of the barriers to entry of foreign direct investments (FDIs) are restrictions on foreign ownership, inadequate infrastructure, lack of transparency, ambiguous regulatory regime, corruption and large corporations dominating the market.

The Philippines has moved down from 47th to 57th out of 138 economies this year, despite strong macroeconomic fundamentals. But in the words of Dr. Llanto, “All is not lost. I think we can do something about this. This shows us our potential, where and what should we work on.”

Political Stability of the Duterte Administration

Ramon C. Casiple

Institute for Political and Electoral Reform

Mr. Ramon Casiple began his presentation by first discussing the controversy surrounding Duterte's win. President Rodrigo Roa Duterte's (PRRD) electoral win by thirty-nine percent was considered a landslide victory. It is usually compared to Aquino's forty-three percent and Estrada's thirty-eight percent. However, looking at the number of votes, PRRD's was much higher than Aquino's.

The issue, according to Mr. Casiple, was whether there was any acceptance of Duterte's electoral win by his rivals. He explained that from the very beginning, since the electoral campaign, there has already been an issue of non-acceptance, which has been the cause of political instability. But clearly, his win was a protest vote of the poor against the continuing rise of poverty: "It's not who Duterte is, but who he represents."

The Aquino Administration under the 1987 Constitution, returned the elitist-centered democracy in Manila. It was replaced with a Populist Democracy. PRRD campaigned against the so-called "Imperial Manila" and seeks to establish a federal system under the slogan "Pagbabago;" it is anchored addressing the drug issues, public order, peace process, security, and rules in favor of the poor, corruption and collective enhanced well-being. A part of this agenda is establishing a federal state.

Mr. Casiple enumerated that the current challenges to the administration are as follows:

- The win is not purely out of populist appeal.
- The bulk of the voters are in Luzon.
- This brought him to a situation that those whom he promised changes to are now in conflict.
- He's not part of the national political elite. No faction supporting him.
- The other side of him: he courted the same elite to reap the votes. It's a big source of instability.

- Different factions within the administration now have different agenda that, in general, go against the status quo.
- They're riding the reforms, including the federalism for self-serving interests and to gain more power, which weakens PH democracy.

Mr. Casiple highlighted signs of destabilization plots against the Duterte administration. There is a question about the legitimacy of the electoral process and the electoral victory itself. In conjunction, there are two types of opposition. One with political aims that seek to oust the Duterte administration, whether it be constitutional or not. Another is based on issues, not necessarily seeking to remove PRRD from his presidency.

A possible compromise is through a change of the constitution to federalism. The Filipino model of federalism, according to PDP-Laban, is a federal parliamentary system that strongly reinforces presidential powers, with the Prime Minister as the head of government. The whole context of stability or destabilization is attributed to the fact that this is a transition government—Duterte's administration is a transitional government. It operates within a changing world as well, characterized by the weakening of Pax Americana. The 70-year world order since the Second World War and the rise of powerful countries across the globe and the region is coming to the ground.

The Indo-Pacific strategy requires the Philippines to be aligned with the US. The problem is Duterte is not aligning.

“Whether we like it or not, there will be change, not because Duterte wants it, but the situation at large is changing. Research (UP) has a crucial role. Your old assumptions are being broken. I hope we can stand up to the change.

We are in a period of transition since PRRD's win. There's also the question of how do we proceed despite the resistances to the electoral outcome.”

Mr. Casiple concluded his presentation by highlighting the possible directions the administration can take: (1) Cooptation by the elites; (2) Push towards destabilization; and (3) Possible compromise mainly concretized in the move towards federalism.

OPEN FORUM

The first questions of the open forum were directed to Dr. Llanto. The adoption of the Philippines of the National Marine Policy (1994) shifted the development paradigm from a heavily land-based economic framework to a framework that focuses on the maritime sector, and its contribution to economic development. The question was how the model has been transitioned, integrated, and adopted into the country's development plans and, are there any gaps in connecting the country's land- and sea-based activities? The succeeding questions were on a sound energy policy to support the growing manufacturing sector and the increasing inequality in the countries development.

Dr. Llanto responded by saying that there is a belated recognition of the importance of geography in the development plan, signaling recognition that the government has plenty of ground to cover. Over the years, the country has been obsessed with land-based structures, while the rich marine resources are yet to be explored.

On the energy policy, government attempted to have a more balanced source of energy. Policy-wise, the Congress has legislated the support or subsidy to be given to renewables. He remarks that the failure to provide subsidy will hinder interest in exploitation and investment in renewables. However, noting that analysts believe that even without the subsidy, renewables will be coming to the Philippines. There have been investors who are willing to bet on the renewables, simply because of the economics. Because of the relative prices of energy, in this talk about global warming and climate change, there is a segment in the society, local and abroad, that continues to push for renewables.

The next question concerned the possible outcomes in the confluence of the BBL, federalism, and the infrastructure program of the Duterte Administration ("Build, Build, Build"). The question emphasized the change in leadership in 2022, and the possible complications that a change in leadership will have on the three initiatives and their effects on the country.

Dr. Llanto stressed that the dynamics is different— "It's not truth-driven. It's power-driven." Having a long term governance plan, a stable exercise of

power, and a relatively peaceful transfer of power means that the country is making democracy work for its own benefit, in such a way that it helps the economy, rather than it increases the uncertainties. Dr. Llanto returned a rhetorical question to the audience, “how do you do that in a period of transition?”

His suggestion was the need for a long-term plan for the country, but noting that a new economic program comes into effect every six years with the terms of a new president, adding that in the new economic thinking, there is a need for a more coordinative approach to governance and production of goods. A new wave of technologies is coming in. The disruption displaces people from jobs, but also creates new ones. The policy should be to develop a skilled workforce, and develop flexible workers who can analyze and easily adjust to the marketplace. The country must hone workers to be collaborative and innovative.

Mr. Casiple responded that the most destabilizing scenario was the ousting of Duterte. This for him would be the most destructive outcome, as there is no political faction or leader that has the capacity to hold the nation together. He echoed that change is coming, whether PRRD is seated or not— “If we don’t do something now, we’ll regret it later.”

SESSION 4: RECAP AND REVIEW

PANEL CHAIRS FROM THE PREVIOUS SESSIONS

AS CO-CONVENER FOR THE STRATEGIC STUDIES PROGRAM, Dr. Aries A. Arugay provided the recap for the keynote address delivered by Secretary Hermogenes G. Esperon, Jr. He considered the speech as major policy pronouncement of the government and emphasized its focus not just on domestic security issues but more so the larger strategic security issues in the region. Arugay noted that this is the first time he has heard a major policy official mentioned the term ‘hedging,’ and from the top security adviser of the President no less. He explained that hedging as a strategy is a short term strategy and requires plenty of attention and resources. But more importantly, hedging needs to be shared not just among major officials but also to those who try to implement the strategy. Arugay took interest on the use of the term “Indo-Pacific”. This for him will be greatly used by those who do strategic analysis in the coming years.

Other than concerns on power shift, Sec. Esperon has also enumerated several strategic issues. Among that was highlighted by Dr. Arugay is the importance of funding and supporting research that could realize Philippine strategic objectives. Of particular interest is finding out the details of the Science for Change Bill that would fulfill the UNESCO requirement of GDP expenditure of one percent for research and development (R&D). Dr. Arugay explained that the reason why Philippine universities rank low is because of the lack of research funding that is normally provided by governments. He said that there is a correlation on how universities fare on the ranking with the support of the government for science and technology, and from the private sector.

The next topic that was discussed by Dr. Arugay is the importance of maintaining diplomatic negotiations with China in order to prevent armed confrontation. He focused on the concerns on food security and the importance of fisheries cooperation as a way of building trust. This for him is something that researchers of security could explore more, particularly on how trust

can be built by focusing on non-traditional issues of security and hopefully will produce the necessary confidence.

Dr. Arugay mentioned the plan to acquire research ships which Philippine marine scientists could use to remove reliance on other countries in order to conduct research. In addition, the plan to modernize our meteorological capacities of the country. Given this, he concludes that the speech's main focus was on building capacities on multiple fronts. More importantly, capacity building here moves beyond the traditional or hard security dimensions to cross cutting concerns not normally considered as part of security. Dr. Arugay assumed that what Sec. Esperon was trying to convey is for the Philippines to comprehensively view security in a multi-dimensional approach.

On the importance of securing domestic stability, Dr. Arugay returns to the government plan to pass the Bangsamoro Basic Law (BBL) emphasizing that this will require not just executive action, but also actions of different government agencies and the cooperation of major stakeholders. The key for Arugay is finding the agreement or legal instruments that would balance not only the interest of those affected by the Mindanao conflict, but also the interest and the integrity of the Republic.

Jaime B. Naval: Review of Session 1: Strategic Environment

Asst. Prof. Jaime B. Naval gave the review for the first session. He emphasized that it is necessary to tackle the concept of strategic developments and strategic constants along with the strategic environment. This is on the idea that certain strategic concerns and developments could potentially impede on the strategic environment. On Dr. Baviera's talk, Naval highlighted the major concepts and issues that are associated with the on-going power shift. These include China's expansion, influence of US, and diffusion of hegemony with India and Japan in Asia. He related the high potential for conflict associated with power shift to the term "system destruction" as a strategy by China as discussed in Session 2.

Commenting on the hedging strategy of the Philippine government, Naval noted that this should be justified into a coherent strategy policy. After looking at some of its basic definitions, he shared that hedging basically means laying down certain conditions to prevent losses but on a temporary basis.

If this would be the strategy of the government, Naval asked where do we draw the line of ultimately coming up with a more permanent, decisive decision. He argued that although the country might be buying time but how long will the Philippines hedge.

On Dr. Lallana, Naval said that his presentation essentially pointed out the importance of technology as a tool for development. The challenge for the Philippines is how to tap the potential of ICT to further advance its interests. We are currently doing well on ICT as exemplified by the rise of BPO industry whose revenue equaled that of OFW remittance. ICT for Naval can be another pillar of government policy making and the economy in general.

On Dr. Docena, Naval reiterated his point that climate change is an imperative for Philippine foreign policy given its high vulnerability and great reliance on agriculture. Naval stated that ensuring the compliance of states to their respective commitments remains a continued difficulty. The particular concern is when developed nations negotiate but are unable to fulfill their commitments of transferring resources and technologies to developing nations.

Rowena Layador-Roaquin: Review of Session 2: Regional Environment

For the regional environment, Dr. Batongbacal highlighted the country's maritime security as it has been the crux of contention in the region for many years. He identified three areas of concern: the West Philippine Sea, the Benham Rise Region and the Sulu/Celebes sea. For him, it seems that we are concerned about adopting policies that could weaken our strategic positions and strengthen the positions of others. This also relates to the strategic value of the Philippines.

This has also diminished opportunities to effectively leverage the Award in international barriers, but the trade-off is the general improvement of the Philippine-China relations. The main issue of concern is that the region, because of the developments taking place, could become a slow-moving crisis and, eventually, a full-blown conflict.

In the West Philippine Sea, the concern is China has already air superiority over the Philippines, based on the Two Island-chain Strategy. This has been

closely watched by analysts. The other concern is China's increased military efforts, especially the militarization of China's artificial islands, which could also enhance the US's competitive engagement and heighten tension in the region.

In the Benham Rise, the concern was about the increased presence of China in the West Pacific Seaboard, particularly the PLA-N and PLA-AF expanding their activities further outward.

In the Sulu/Celebes Sea, the concern is the Philippines giving up a significant portion of its unilateral ability to conduct law enforcement.

All of the concerns raised were a part of the caution that this might become a full-blown crisis, and it is a slow-moving one. This tells us that our geo-political environment has been much more complex. It calls on officials to cope with these changes, and it requires national cooperation.

The main concern raised by Dr. Batongbacal is the country's friendly relations with China, which have given them full freedom of movement in the West Philippine Sea, and which might have implications for the Sulu/Celebes Sea.

On the other hand, it is not to be assumed that the regional security architecture is a neatly established institution. Mr. Amador did not claim to offer answers on how the regional security architecture could respond to various security challenges. He sees the regional security architecture as multi-layered interactive networks of countries made up of rivals, friends and *frenemies*, and the Philippines is in the middle of it. Both presentations have looked at China as a strategic challenge. The rise of China to an international order has grown, so the problem is how the country will deal with China with Xi Jinping at the helm beyond 2020, and Xi as seen as the living compass of the party.

Furthermore, Japan is now seeking to strengthen alliances and revive the idea of the Indo-Pacific, particularly the quadrilateral security framework.

The great concern among strategists is if US can continue with its leading role in the region. *How can this be done?* There is a need to seek the continued commitment of the regional powers to the region's security. ASEAN needs to work double time to truly help. There is a need for collective action to resolve the problem over the maritime domain.

Speakers have been skeptic about the role played by the ASEAN, most especially on strategic issues. What can be fully articulated later on is how the East Asia Summit can serve as a venue to resolve these issues.

Again, the main challenge is, international rules that underpin our current order do not anymore provide for the safety and security or, at least, the assurances that other countries pave. China is the main challenger of those rules, because of its belief that those rules are now constraining its rise. This is the biggest strategic question that the country is now facing.

Antoinette Raquiza: Review of Session 3: Domestic Environment

As far as the global environment is concerned, Dr. Llanto sees that there has been broad-based recovery, although risks abound. There is rising protectionism and disruptive technology, which will impact the job structures. As far as the Philippine economy is concerned amidst the global uncertainty, Dr. Llanto gave us good news. One, the Philippines has been able to sustain the growth momentum, with more than 6% growth rate. The specifics of this momentum are that services continue to lead growth, but there is a trend toward industrial development, specifically growth in the manufacturing sector has been showing promise. If this proceeds, it will have an impact on or effect structural transformation.

Manufacturing is critical if the country is to raise productivity and incomes of the broad majority. As far as challenges are concerned, Dr. Llanto mentioned that a key challenge to a country is how to move it from low-middle to upper-middle income status.

Dr. Llanto mentioned three lingering concerns: high inequality, high poverty, and the creation of high-quality jobs. He specifically cited the neglect of agriculture. There is a need to bring in investments, because in a way, majority of the Filipinos continue to derive their livelihood from the sector.

Going into the Philippine political situation, Mr. Casiple noted that the political situation is power-driven. The word 'transition' summed up his presentation. In the Philippines, he mentioned that we can anticipate greater political uncertainties. First, the Duterte government began with a disadvantage. There has always been a question of legitimacy, especially among the traditional elites. He characterized the present government as a populist democracy. Even if there is a push towards social reforms, the government is highly fractious, at the same time, constantly in danger of being sidetracked.

Mr. Casiple stated that the Duterte Administration could take three possible directions. First, the agenda could be coopted by the traditional elites. Second is destabilization. There is a quiet war, a propaganda war being waged today that may lead to extra constitutional measures. Third is a social compromise, concretized in the move towards charter change and federalism.

In terms of the global political situation, he mentioned the rise of a new hegemony that is China. The country needs to start thinking about the passing of the torch. The US's hand in domestic politics remains critical. Mr. Casiple ended by saying that the Duterte government is a transition government. He called for participation in the agenda-setting and strengthening of institutions.

One of the issues raised during the Open Forum was the need to incorporate geography in the development plan. There was a question regarding how the archipelagic character of the country is integrated in its strategic planning. The need to flesh out matters on sustainable energy development was also raised. As with matters on political stability, we go back to the question of how political forces can come into an agreement on how to resolve political conflicts.

The forum ended with the enumeration of some of the most pressing challenges we face. One of these is the need to ensure political coherence and continuity, both to ensure political stability and economic sustainability. Another one is the need to institute participatory governance, which will ensure broader buy-in, as far as the political and economic agenda is concerned.

For the open forum, Naval picked the most resonant questions. For Dr. Baviera, it was on her comment regarding the issue on joint exploration with China on the West Philippine Sea. Again, Naval emphasized that while this can boost confidence, such undertaking should not sidetrack the value of arbitration rulings and efforts pushing for the creation of a regional code of conduct. On the question on how does the Philippines develop its own ICT, Naval mentioned Dr. Lallana's stand of pushing for government regulation and not just relying on the market. For Dr. Docena, Naval stressed out the need for collective International actions in addressing the issue of climate change. Finally, on using poverty as an overarching framework, Naval reiterated Dr. Baviera's point that we have to simultaneously respond to confluence of threats and concerns.

SESSION 5

Future Direction and Prospects

Panel Chair

Aries A. Arugay, Ph.D.

Strategic Studies Program, UP CIDS

Military Perspective

Rear Admiral Rommel Jude G. Ong

Philippine Naval Inspector General

Crystal Ball Gazing: The Strategic Environment from the Philippine Military Perspective

“The proverbial kingdom of Sparta started in 1945 from the ashes of World War II. The groundwork for that was done in a hotel called the Bretton Woods, where the IMF and the World Bank were born. With it are the mechanisms for growth of trade, and the guarantor of the framework was the US Navy. When I was in the war college, we went there for a tour. We didn’t understand that then, but reflecting on it now, the Bretton Woods is the touchstone of the US Navy’s posture after the Second World War.”

REAR ADMIRAL (RADM.) ONG BEGAN HIS PRESENTATION with a depiction of China as the world’s rising Athens, as it matches the parameters from which the Sparta was created. In terms of economic framework, China has the Asian Infrastructure Investment Bank (AIIB) and the Shanghai Cooperation Organization. The emergent guarantor of that framework will eventually be the People’s Liberation Army (PLA).

On the rise of China, several developments are seen to have military inclinations to them. Although political in nature, the first was the elimination of rivals within the Party by Xi Jinping. Following is the PLA reforms to root out corruption as part of the consolidation of power over senior military

officers who can be loyal to Xi. He also undertook the reorganization of PLA to ‘joint commands’ to shake up power structure in the military. All of these lead to the question as to whether China will follow the model of a dictatorship or an empire.

RAAdm. Ong looked at the coherence of China’s economic initiatives and politico-military strategy to achieve regional dominance such as the following:

1. OBOR enhances access to the global market and acts as enabler of its naval strategy;
2. Nascent economic-centric systems for engagement (SCO, AIIB); and
3. Industrial capacity as enabler of its military modernization.

According to him, once China gains complete control of the First Island Chain, then its security is complete. With this, the Philippines needs to start to learn how to play the game of *Go*. For him, chess is based on the annihilation of the killing of the pieces, but *Go* is a long game based on positional advantage. China does this strategy through accumulation of territories.

In his presentation, he looked at the retreat of America in these particular scenarios:

1. Overextended global policeman (i.e. Afghanistan, Syria, Middle East, Balkan States, North Korea);
2. China used North Korea successfully as ‘stalking horse’ to distract US Asian posture;
3. Nascent “Indo-Pacific” regime as espoused by US;
4. Civil-military disconnect in Asia (Washington-Honolulu Divide);
5. U.S. addresses tactically China’s strategic actions (i.e. FONOPS: message lost in legal translation); and
6. Readiness issues of the US Navy (e.g. USS Fitzgerald and USS McCain collision incidents).

“If I were to say what is the icon of the current status of the US Navy now in the Asia-Pacific, their sailors are tired and the off tempo is terrible. They’re not able to maintain their ships.”

As with the balancing and hedging in Southeast Asia, RAdm. Ong looked at the adjustments made by India, Japan and Indonesia to fill-in gap by diminishing US presence.

1. Japan’s reoriented security policy and increased defense budget;
2. Indonesia’s redeployment at Natuna Island;
3. India’s “Act East Policy” (i.e. engagement with Vietnam, Japan, etc.);
4. India-China “Doklam Standoff”; and
5. India’s deployment in Maldives

There is a need to look at “hedging” or “bandwagoning” effect among states in Southeast Asia (i.e. Cambodia, Laos, Thailand, etc.). These are manifested in several military actions, such as the military exercise with China, and Thailand and Indonesia’s acquisition of Chinese military hardware.

Looking at what the country is doing in the current times, RAdm. Ong said that the Philippines is trading space for time. He explained that “we create a space by engaging China and calibrating the pursuit of our West Philippine Sea claims. By trading space, we buy time.”

According to him, time is supposed to be used to do the following things:

1. Restore our sense of Filipino;
2. Resolve all internal issues in the country;
3. Provide socio-economic solution to conflict areas;
4. Restore civil order in the ungoverned areas of Mindanao;
5. Deconstructing inequality in political systems and processes;
6. Restore faith in governance systems;
7. Dismantle narco-politics structures; and

8. Build up credible defense posture up to 2022.

The abovementioned policies are all included in President Duterte's plans. RAdm. Ong layouts four possible scenarios for the Indo-Pacific Region:

1. South China Sea – Caribbean Sea: China assumes effective sea control over North, East and South China Seas, inclusive of establishing sustained presence at Kalayaan Group of Islands and an Air Defense Identification Zone.
2. Revolt from the Center or Periphery: Unrest in Xinjiang, Tibet or Hong Kong; dissent triggers challenges to Xi's leadership of the party.
3. Indo-Pacific Quadrilateral Alliance: US, Japan, India, Australia successfully organizes as a countervailing force to balance China.
4. Rise of the Middle Powers: Independent rise of Japan, India and Indonesia as security guarantors in respective spheres of influence.

For the Philippines, there are several possible scenarios in terms of symmetric, asymmetric and hybrid threats. Threat has two components: capability and intent. In his discussion, RAdm. Ong talked about capabilities. The most viable hybrid threat to the Philippines is China, and the most viable asymmetric threat will be coming from Malaysia or Indonesia. In terms of symmetric threat, China can simply launch a J-11 Flanker B+ fighter from Fiery Cross and hit anywhere in the Philippines.

Symmetric warfare involves a conventional conflict with regular forces fighting regular forces, while hybrid warfare involves use of conventional, irregular, terrorism and criminal means or activities involving a combination of state and non-state actors. Lastly, asymmetric warfare, which involves conflict between belligerents, whose relative military power differs significantly, or who operates differently.

In terms of hybrid threat, RAdm. Ong mentioned the work of PLA Colonels Qiao and Wang, entitled, *Roots of the Three Warfares*. The book *Unrestricted Warfare* noted several types of activities that complement kinetic or assuming war.

Unrestricted warfare is not limited to the physical, detached battlefield so the actions of war are normally associated with military efforts. It expands

across other domains such as economics and material resources, religion, culture, the environment and information networks.

On asymmetric threats, there is a possibility of ISIS-inspired actions coming from Malaysia or Indonesia going to Southern Mindanao. In fact, this is not just a possible scenario, but a reality based on our previous Marawi crisis.

After the Scarborough incident, the Philippines needs a center of gravity (CoG) analysis, which is designed to determine the critical vulnerability of the Philippines and China and determine the decisive point, if the Philippines were to engage in a conflict. Based on that CoG analysis, it is determined that China's vulnerability is its maritime trade. In addition to that, the CoG analysis also discerned that the country's vulnerability is its government and business systems. "So if we are to engage in a conflict, China would need not do anything military to us, but try to influence our policies, which is consistent with hybrid warfare."

Some operational imperatives for the country are:

- Secure the West Philippine Sea, Philippine Rise and southern backdoor;
- Mitigate effects of One Belt, One Road to protect Philippine geo-strategic advantage;
- Insulate APODs and SPODs in key maritime areas and SLOCs; and
- Insulate government and business processes from "hybrid" attacks.

AFP Modernization Program (AFPMP) is currently on Horizon 2. Ideally, the AFPMP is anchored on an overarching strategy that everybody agrees on, and strategy should match the country's geographical realities. Hopefully, it will be cost-effective capabilities that will have 'strategic effects' in mind.

Lastly, RAdm. Ong highlighted how crucial it is to take a leap with new and emergent technology solutions. The example he gave was the Iranian Revolutionary Guard – Navy operating at the Strait of Hormuz:

"They did not come up with expensive platform or equipment, they only had small fast boats that had heavy machine guns on them. There's no other way for US oil tankers to pass through, but through

the Strait of Hormuz. They only needed to have limited sea control to have a strategic effect on US policy. This is a Game Changer Strategy, where you use a superior strategy to mitigate the inherent lack of resources. They were able to discern the US CoG and vulnerability, using geography to match its tactics. It is low-cost but has higher ROI. This is the ideal modernization program.”

As the country’s way ahead, he raised that the Philippines must continue engaging China, but with due regard to the country’s national interests. There is a need to work for ASEAN-centric ‘mini-lateral’ in WPS (e.g. Trilat++). Moreover, the country has to enhance mil-to-mil engagement with Japan and India.

Lastly, the country must build up its credible defense posture up to 2022, in terms of deterrence capability (game changers) and building a robust arms industry (e.g. enhanced R&D).

Private Sector Perspective

George T. Siy

Convergence Reality and Development Corp

Philippine-China Projects & Business Status & Frameworks

George T. Siy began his presentation by looking at the current economic and political narrative. In his observation, it has always been the American narrative. He said that “I don’t think that the alternative is war, but the U.S. is always talking about military frameworks. Nobody wants war, not even the Chinese. This is because of the American hegemony, and this why we have to recalibrate a bit.”

According to Mr. Siy, history is repeating itself now. The framework is set like this: the Americans have been extremely aggressive and using the military from the very beginning of its existence to conquer by military force.

Until now, the U.S. has been doing the same thing. China has done it in a limited way, but far more limited than anyone in power.

George Siy showed interview clips highlighting historical facts and his views on the differences between China and US in investment, economic and trade relations. He was quoted in the video, saying:

“Japanese interest rates are much lower, but the cost is much higher. Japanese rails are almost twice as expensive, but China doesn’t complain, because it believes in business for everybody. But the US and Japan keep complaining from China. Why are the rails around the world won by China? We don’t have to fight each other. What the Filipinos need? We need our people to rise out of poverty.

If you go to IMF or World Bank, they have so many conditions. They want to control your whole financial system or your whole political system. China has no such requirements. There is the plus and the minus, and the minus is they might make their own decisions as well. Filipinos have to take care of themselves, not for China or for the US.

Historically, it’s only the IMF and the World Bank that charged 16-20%. They are accusing others of things that they themselves have done. Not once, but several times. When they had the chance to take over the Philippines, they took over all the mineral mining companies and utilities. China, in 1500 years, they didn’t do that. They always traded. They heard about the mountain of gold, they came and traded gold. They did not try to conquer. But the US, they killed the Indians, 90% of them, to take over the land. They took over Mexico and Hawaii.

The average American is a great person. We like the lifestyle, but we don’t want to be ruled by the Chinese. But we have to stop trying to comment on a one-sided view. The only way to make an intelligent decision is to be real and to find out what is real.”

Mr. Siy explained that the US has reneged and broken every single agreement it entered with a minor or smaller power. North Korea was willing to sit down; the US won’t. Syria is ready to sit down, the US won’t. The Palestinians want to sit down, the US doesn’t.

He made reference to the Art of War by Sun Tzu, highlighting that the highest victory in the Chinese mind is not crushing its opponent, but winning them over to their side. In reference to economics, Mr. Siy looked at multidimensional benefits, ranging from financing to infrastructure, technology and

the markets, which are far more important than the investments.

There are product and service supplies that China provides, and the Philippines is using them at one-third, one-fourth, one-fifth the price of the US. He made a contrasting opinion that if one buys an American product, it's five times three times four, because the objective of American business economic system is to maximize profits. With China, it is to do volume and create employment for them and for others.

For China, it's important to learn the business know-how, have alliances, and not have enemies. Mr. Siy explained that for China, it goes like this: *If I can ally with you and cooperate with you, I'll do it instead of having to fight you.* This emphasizes that cultural, internal exchange is more powerful than anything. By creating a more entrepreneurial culture, a more harmonious culture, instead of the adversarial system of the American philosophy, the country will be far better off.

Mr. Siy also highlighted the disparity in media coverage, noting the example of China's 100 million dollars for the North Rail, that did not receive any media coverage, unlike the immediate coverage when the US came in with their 5 million dollars of investment. In addition, donations to Marawi made by China, among others, had almost no media coverage. The Philippines also benefitted in terms of manufacturing, property, banking and digital education. China made the digital economy accessible to tens of millions of Filipinos through smart phones at one-third of cost, and installation of seventy percent of infrastructure.

Mr. Siy put emphasis on the importance of considering relationship models, not just investments. Business/relations with China are blocked and demonized by US advocates, but not the other way around.

"How can you do business if every step of the way is being demonized and the other side is not being taken up?" He added, "China is not blocking investments of US or Japan."

The Philippines is less than three percent of the Chinese economy, which doubles up in the next seven years. Even if China takes over the Philippines, it is not worth the war. The reason the Philippines is important because of its military strategic location. China doesn't want Americans to betray everybody and kill everybody. They have bought all the resources around the world at the top price, and it's pissing the Americans off. For them, why should they go to war, if they can buy at the highest price and still produce at the lowest cost? As for business models, the US model is based on highest

prices and margins, while China's model is based on volume. Noteworthy is the adversarial competition, short term models of USA versus the evolving cooperative harmonized models of BRI.

On matters of high interest rates, China gives massive grants and charges loans two to four percent. USA, IMF, and World Bank are the ones who have charged 15 percent or more, and foreclosed on countries (legal, political and financial system).

Moreover, the USA just recently threatened the whole United Nations. One hundred twenty-eight (128) countries voted against the US, and the 8 who voted for are US protectorates.

The US also imposed embargoes on countries it does not like: Iran, Russia, Cuba, Vietnam, etc. Aside from this, US excluded China in the Trans-Pacific Partnership, threatened the UK on Brexit and blocked the Philippines from joining AIIB, among others.

The delays in Philippine projects with China, he discussed the causes of delays, such as the issues in the approval processes, blocks by politicians, hostile USA advocates and technical standard issues.

There are also the right of way issues (frequently 10 years or more in the Philippines), changes of administration, non-integration of planning by local agencies, non-sharing of information by local organizations and corruption.

Zeroing in on the history of benefit from Philippine-China business, the agricultural production and crafts and mineral resources trading go back 1,300 years, not to mention the Galleon Trade and most of world history. Most major Philippine infrastructure in Spanish times were built by the Chinese, including the Malacanang Palace.

The Chinese were on the Philippines' side on every war including Philippine revolutions against Spain, US, and Japan (majority of Philippine revolutionaries were of Chinese, not Spanish descent, including the financing of the revolution). Furthermore, the Chinese choose to live in the Philippines and reinvest entirely versus multinationals, which repatriate all the funds. The biggest investors are of Filipino-Chinese descent—not of the Japanese, not of the Americans.

Lastly, he presented China's current businesses/projects in the country, which include:

1. Donated bridges awaiting final signatures
2. Waived over 100 million dollars loan (not in news!)
3. Weapons for insurgencies in Philippines vs embargo by the US until Marawi came when US also released
4. Calamity assistances and rebuilding (hardly in news!)
5. Massive inflows and income from, investments in: trade increases e.g. fruits and agricultural products (see statistics), hotels and resorts, realties, leases of offices and residences in billions, tourism, gaming income, services and restaurants, groceries, consumptions, and technical and digital infrastructure.

Concluding statement:

“We have never had opportunities be closer to us, larger, more diverse, or the means to achieve them so easily in our reach. Let’s get advice from people who have a track record of success in both decisions and actual implementation. Let’s get good implementers, and not expect them to be pure, as long as they’re doing a reasonably good job.

There will always be advantages and disadvantages, but we find ourselves to be resilient. Let’s be creative, innovative, and work for the collective good. It is for the Philippines, not for the US, not for China. This is my perspective on what it is to be practical.”

20@22 Development & Security Program of the Duterte Administration
Undersecretary Gloria Jumamil-Mercado, Ph.D.
Office of the Cabinet Secretary

Usec. Mercado emphasized the overarching policy framework of the Duterte administration of relating peace and security with development. The president was quoted in several occasions stressing the importance of national

security on national development. In his first State of the Nation Address, President Duterte gave the directive to streamline government development and security efforts to ensure that outcomes are felt by people on the ground. Mercado noted that this is the first time when public safety and order were included in the National Security Policy. Public safety and order here mean fighting criminality, corruption, and the sale and use of illegal drugs, and implementing peace agreements and participation of all stakeholders.

The blueprint of Duterte's administration policy framework is found in the National Development and Security Strategy. This document merged the Philippine Development Plan with the National Security Policy. Mercado mentioned that consultations were made with local chief executives as Duterte believes that true measure of development can only be gauged in the countryside. Moreover, the framework observes island grouping to give special attention to socio-economic nuances. The cross-cutting theme of the administration's policy framework is good governance. Mercado stated that Duterte values participatory governance to serve as a window for civil society groups to participate in the planning and budgeting processes.

Mercado identified complementation in Duterte's 10-Point Socioeconomic Agenda and the 12 Point National Security Policy Agenda. All these feed to achieve AmBisyon Natin 2040 which states: *"By 2040, the Philippines shall be a prosperous, predominantly middle-class society where no one is poor; our people shall live long and healthy lives, be smart and innovative, and shall live in a high-trust society."*

Capacity Building: Survival Strategy in an Uncertain World

Henry Chan Hing Lee, Ph.D.

East Asia Institute, National University of Singapore

Dr. Chan began his presentation by discussing current global configurations, which he mainly characterized with the ascendancy of China in global affairs and the 4th Industrial Revolution. On the rise of China to power, Chan provided data showing how its economy has overtaken that of US. For example, China has reshaped the global manufacturing landscape since the 2000s making it the world's largest manufacturer and manufactured goods exporter. It is also projected that Chinese R&D spending will likely exceed US by 2020. This reality has implications. Among these is the modification of existing rules on globalization anchored on Bretton Woods institutions.

On the 4th Industrial Revolution, Chan cautioned that human capital will turn into population liability if education and skill level of workers failed to catch up with the requirement of the new disruptive economy. He also feared that machine-labour substitution of the traditional sector jobs in agriculture, manufacturing, and services will generate social problems. On the other hand, Chan mentioned that the 4th Industrial Revolution will result into the emergence of on-shoring, reshoring, and increasing horizontal supply chain that will demand more skills as the export industry is projected to grow for Southeast Asia. This, however, cannot be fully realized because of the following configurations in ASEAN: (1) lower wage & skill level may slow down the process of automation; (2) consequence of labour policies & institutions; (3) social factors specific to a country can offset the substitution effects of automation; (4) high informal sector employment with high prevalence of self-employment & informal work arrangement are less likely to adopt automation; and (5) agricultural sector's extremely routine and manual nature of work might put a higher share of workers at risk.

How then can the Philippines prepare itself? Chan said that the country needs to invest on national capacity building to ready the government in handling problems associated with economic, social, and environmental transformations. One particular aspect of focus is on human capital development. The way to primarily achieve this is through building science & technology knowledge as suggested by the National Science Foundation of the US. Some of the steps include the following: (1) elementary & secondary school mathematics & science education; (2) higher education in STEM; (3) development of science & engineering savvy labour force; (4) R&D at academia, industry & government; and (5) knowledge transfer & application from R&D to the economy. While posing opportunities, Philippine has also to grapple with some pressing national capacity issues such as (1) bringing more jobs to the burgeoning youth, (2) calamity handling and rebuilding ability of affected communities, (3) effective long term measures to combat trans-national crime and social ills, (4) long term solution to domestic security threat from extremism and secession movement, (5) slow evolving but potentially catastrophic consequences of global climate change, and (6) urban congestion ills.

OPEN FORUM

Dr. Chan was asked to explain his suggestion to study East Asian models of development given that most PhD students in the best schools in the US are from China. Relatedly, he was also asked how the Philippines can incentivize Filipinos studying abroad to return to the Philippines. Dr. Chan said that scholars from China studying abroad usually go back to China. This however seems not to be the case for the Philippines. He noted that he does not know of any Filipino academician in America, in the National Academy of Science and Engineering, for example. Dr. Chan encourages the best and brightest Filipino students to go abroad and learn, but the country also needs to foster a domestic environment that would eventually cater to them. He also reiterated his earlier point to fund the proven prescriptive of supporting the sciences and engineering. Chan stressed that every successful Filipino-American in America is more than willing to do something for their country of birth, as in the case of China.

RAdm. Ong was asked of the implications of China naming some features of Benham Rise. He explained that from the perspective of warfare, given the fact that it is on the eastern side of the Philippines, this can be addressed on legal grounds citing international laws. He was also asked on how the Philippines should position itself in relation to the threats of North Korea being an ally of the US while at the same time maintaining our independence. RAdm. Ong explained that the main concern is the miscalculation of the US as this is not really much about actual war. He assured that the Philippine government does not view North Korea as an immediate threat.

Dr. Baviera asked which institutions do the speakers consider the weakest in the Philippines preventing the country's development. Relatedly, she also asked which institutions are the strongest that the government can possibly bank on. For Mr. Siy, the fundamental problem is the culture of politics in the Philippines. The political culture is not practical. There is an absence of incentives rewarding intelligent people.

Responding to the same question, USec. Mercado noted that the administration has identified twenty-six agencies. These are the ones with the highest budget allocation, including DepEd, DSWD, DOLE, DND, among others. They are closely clustered based on common mandates to avoid turfing and are closely monitored to see their impacts on the ground. The administra-

tion has also devised a budgeting scheme where the agencies are required to fully spend their yearly allocation otherwise it will have implications in their budget in the subsequent years.

Two questions were raised by the members of the audience on educational concerns, particularly with the growing concern of Western states on the capability of the Chinese people to pursue graduate studies abroad, and the idea of Filipinos not returning to the Philippines once they finished their graduate studies.

Three members of the panel, Dr. Chan, Mr. Siy, and Usec. Mercado responded to the questions posed by the audience.

Dr. Chan recounted that those Chinese who went abroad come home if they were to come home. Those who wanted to stay in the US, stayed. The Philippines today, the know-how is there, but the know-how is very far. There are many Filipino doctors, but there are no academicians in American Academy of Sciences, in the US Academy of Engineering. For some, they think it is their patriotic duty to come back here. The Philippines has to follow the proven prescriptive. Let science and engineering staff go abroad, and let them come home of their own free will. Every successful Filipino-American in America is willing to do something for their country of birth. In China, the wave of returnees is only in the last five years. For the first twenty-five years, after the opening up, most of the Chinese stayed there.

In Mr. Siy's opinion this is part of the culture and the politics in the Philippines. As long as the culture is not practical, from a business view, people make more money from occupying positions of power rather than being innovative, there will not be enough rewards for the intellectuals to come back. There's no connect between intellectual research capacity and economics. Culture and power politics. Providing an anecdote, Mr. Siy recounted when cellphones used to have ringtones. Filipinos, as a mass market, nothing utilitarian works. The priority of Filipinos is on entertainment. For the structural framework of power politics in the Philippines, everything is controlled by PLDT. We have to invest in the research, the technology, the servers; we have to do the marketing. PLDT gets eighty percent of the revenues, and we have to pay the taxes and everything, and we only get ten percent. Everywhere else in the world, the telco gets twenty percent of the

revenue, and the innovator makes eighty percent . All of that is part of the Philippine power structure. The fundamental equation has to be economically viable both for the country and the professional.

Usec. Mercado concurred on Mr. Siy's point that it is cultural, citing that it is the rule of the family to always come home—more of a family value system.

Another set of questions that were raised in the open forum were about the Philippine diplomatic protest against China, and their implications for Philippine economic and military security, and the Philippine position on the ongoing issue between the US and North Korea as a party to the Mutual Defense Treaty.

RAdm. Ong answers that in the context of the current engagement with China, this does not prevent The Philippines from approaching the issue from a legal perspective. Responding on the possibility of war between US and North Korea, the main concern for RAdm Ong is miscalculation on the side of the US, not on the side of North Korea. The Philippines supports a peaceful resolution of problems between two countries, and do not support the use of nuclear capabilities for political ends.

Lastly, a member of the audience raised the importance of institutions as far as development is concerned. Usec. Mercado took the task of responding, noting that the government has identified twenty-six national government agencies as key agencies that are monitored to deliver the programs that the government has committed to deliver for the next six years. These agencies have the top budget allocations: DepEd, DSWD, DOLE, DND, etc.—monitor in terms of utilization of resources and outcomes/impact on the ground.

The thrust of the current administration is a strong reform in the bureaucracy—on institutional development, to expand the reach of government intervention in the many islands of the country.

ABOUT THE STRATEGIC STUDIES PROGRAM

The Strategic Studies Program of the University of the Philippines Center for Integrative and Development Studies aims to promote interest and discourse on significant changes in Philippine foreign policy and develop capacity-building for strategic studies in the country. The program views the Philippines' latest engagement with the great powers and multilateral cooperation with other states in the Asia-Pacific region as a catalyst to further collaborative and multidisciplinary research between the intellectual communities within East Asia.

Strategic studies is an interdisciplinary academic field centered on the study of peace and conflict, often devoting special attention to the relationship between international politics, geo-strategy, diplomacy, international economics, and military power. While traditionally centered on the use of military power for defense and security purposes, strategic studies have now evolved to embrace human and multidimensional aspects of security.

The Program will continue to bring issues of strategic importance to a Philippine public that tends to be very inward looking in its appreciation of its immediate environment. There will be a clear focus on reinforcing and strengthening a core group of experts and academic research interested in strategic concerns within the University and the consolidation of networks that link this core group with institutions in government and the private sector that might be interested in developments around the region and internationally that affect the policy options of the Philippines.