Response to the Rise of China in the Post-Cold War Era: The Philippines’ Strategic Hedging

TRAN Thi Bich
Ritsumeikan Asia Pacific University
thibtr15@apu.ac.jp
INTRODUCTION

Over the last few decades, China has emerged as a great power in the Asia Pacific region with an impressive growth in economic development and military modernization. By 2008 and 2010, it became the world’s second military expenditure holder and the world’s second largest economy correspondingly (SIPRI, 2009; He, 2014). People’s Republic of China possessing an enormous economic power has pursued an assertive approach in the South China Sea disputes. The disputes in the South China Sea, which is not only rich in natural resources but also strategically important, include six claimants: Brunei, China, Malaysia, the Philippines, Taiwan, and Vietnam (Chong, 2013, p.6).

Among the disputants, China is the key player because of its powerful economic and political influence, while the Philippines is one of the most affected by China’s ambition due to proximity (Dillon, 2011, pp.62-64). These two countries are involved in both bilateral and multilateral territorial disputes concerning the sovereignty over the Scarborough Shoal and the Spratly Islands respectively. The issue of the South China Sea has become a focal point in the relations between the Philippines and China. As a smaller power, it is critical for the Philippines to pursue a careful strategy. Since the end of the Cold War, Manila has employed a hedging strategy in dealing with its giant neighbor.

THEORETICAL FRAMEWORK

Due to asymmetric power, it is essential for small states to carefully select its strategy in relations with a bigger nation. In International Relations studies, realist and liberalist theories are the most popular options regarding this problem. Realism suggests that the small state can choose between balancing and bandwagoning, while liberalism emphasizes engagement.
Traditional balancing (hard balancing) includes internal balancing and external balancing. Internal balancing is when a country tries to improve its domestic strengths by developing its economy and upgrading its military forces (Vuving, 2006, p.807). A country employs external balancing means that it establishes formal alliances with other powers to counter the one which presents threats (Roy, 2005, p.306). In the post-Cold War era, it has become more difficult for states to employ hard balancing due to the growth of international institutions and economic interdependence. From this context, soft balancing, as an extension of balancing strategy, emerged to fulfill the gap. Nations pursue soft balancing by involving in a variety of diplomatic, economic, and institutional engagement with other powers to balance against the bigger power posing threat (Tessman & Wolfe, 2011).

On the other hand, the small state can choose to bandwagon with the bigger nation by accepting an inferior status and paying deference to it. This helps the weak power avoid being attacked by the stronger one (Hiep, 2013, p.336).

Unlike realism, liberalism’s idea of engagement is based on the positive-sum assumption that deepening interdependence is beneficial for both sides (Matsuda, 2012, p.114). Therefore, the small state can shape the behavior of the bigger one by engaging it into deep economic and diplomatic ties.

Nevertheless, due to increasing interdependence among states, none of the pure strategic forms mentioned above can fully explain states’ behaviors in dealing with others. Therefore, strategic hedging, which is a combination of realist and liberal approaches, has emerged as another option. It cultivates a middle position by applying multiple strategies at the same time to minimize long-term threats while maximize long-term opportunities for the employing states (Goh, 2005). To
satisfy hedging as a distinguishable strategy, Tessman and Wolfe (2011) came up with four criteria of strategic hedging. First, it is essential that the behavior helps enhancing the capability of the hedging state to engage in armed conflicts with, or to deal with the possibility of ceasing the exchange of public goods from, the leading power in an uncertain future. Second, the behavior must not involve a direct confrontation with the subject nation. Establishing a formal military alliance to challenge the bigger power and carrying out massive military modernization projects as demonstrated in a significant rise of the defense budget as a percentage of GDP, for example, is not strategic hedging, but hard balancing. The third criterion, which differentiates hedging from normal diplomatic friction, is the strategic nature of the behavior in question. It should be coordinated by the central government and address concerns over an issue considered as national security. Lastly, to set apart strategic hedging from soft balancing, the behavior in question must generate some tradeoffs to the hedging state. If all of these criteria are met, the state behavior is strategic hedging.

**THE PHILIPPINES’ HEDGING STRATEGY**

Applying the criteria developed by Tessman and Wolfe, the Philippines’ behavior toward China can be recognized as strategic hedging because it satisfies the four criteria. First, Manila has strengthened its economic power as well as military capabilities. Regarding the second criterion, although the Philippines is a treaty ally of the United States, the alliance was formed in 1951, long before the rise of China. Furthermore, the U.S. air and navy bases in the Philippines were closed in 1991, right after the end of the Cold War. For these reasons, it cannot be seen as a direct challenge to China. In addition, during his visit to the Philippines in 2013, President Obama made it clear that the 10-year Philippine-U.S. Enhanced Defense Cooperation Agreement (EDCA) and the U.S. rebalance to Asia did not aim at containing China (Lum & Dolven, 2014,
Regarding the third criterion, the South China Sea disputes have been the centre of Philippines – China relations. Manila considers the South China Sea as a core national interest due to economic, security, and strategic reasons. Economically, the sea contributes to one fifth of the country’s fisheries catch. In addition, the Philippines’ main trading channels run through this sea. During the World War II, Japan used one of the Spratly islands to plan attacks against the Philippines. Therefore, if the control over the sea fell into the wrong hand, it could seriously threaten the Philippines’ security. Strategically, the South China Sea has the potential to meet the country’s oil and gas demands in the next 20 years (Pitlo III, 2013). Finally, in implementing its hedging strategy toward China, the Philippines has to pay its cost since heavy dependence on the American military power undermines its own defense capabilities.

Rationale for Choosing Hedging

In the post-Cold War era, there are two main factors that lead the Philippines to adopt a hedging strategy. The first one is the withdrawal of the U.S. military presence from the Philippines’ territory. At the collapse of the Soviet Union, Filipino nationalists argued that it was time for America to leave because the threats did not exist anymore. The presence of the United States in the Philippines’ territory was perceived as a symbol of Manila’s dependence on Washington. As a consequence, the American leases over Subic Naval Base and Clark Air Force Base were terminated by the Philippine Senate in September 1991 (Lum & Dolven, 2014, 191). The second factor is the rise of the People’s Republic of China (PRC) as an economic and military power and its creeping assertiveness in the South China Sea. China has consolidated its claim in the sea by expanding its military reach and undermining others’ claims (De Castro, 2010). Security has become an urgent issue for the Philippines. Without the United States, it cannot pursue a pure balancing strategy. Bandwagoning is not desirable for two reasons. First, as a formal ally of the
United States, the Philippines cannot align with China. Second, it has territorial disputes with the PRC in the South China Sea, so bandwagoning will undermine its claims. Manila is unable to employ a pure engagement strategy either, because it requires a high level of mutual trust. Therefore, the Philippines has employed a hedging strategy which is a mixture of balancing and engagement.

**Components of the Philippines’ Hedging Strategy**

The Philippines’ hedging strategy consists of four components. The first component is diplomatic engagement. Although the Philippine - China relations have been soured by a series of incidents in the South China Sea, Manila has continued to put efforts on diplomacy because it is the most credible option for a small power like the Philippines (Storey, 1999). Secondly, the Philippines has developed economic ties with Beijing since 2001 as a result of warmer relationship than the previous decade. The third component is hard balancing which includes internal and external balancing. By internal balancing, the Philippines has attempted to upgrade its military capabilities with the assistance of the United States and Japan as well as develop its economy. In external balancing, the country enhances its alliance with the United States by invoking the 1951 Defense Treaty. Lastly, Manila’s hedging contains soft balancing dimension, which is manifested in making use of international institutions and laws and building relationship with other major powers in the region.

**EVOLUTION OF THE PHILIPPINES’ STRATEGIC HEDGING**

Although the Philippines has pursued a hedging strategy since the end of the Cold War, it is important to note that the number of the strategy’s components and their weight have changed over time. This is a result of the Philippines’ reaction toward China’s movements in the South
China Sea, which often depends on its domestic conditions and external security environment.

There are several timing points, which mark the changes in the Philippines’ strategic hedging. The first one is the year of 1991 when the Philippine Senate voted to terminate the lease of the U.S. military bases in its territory. This led to a downturn in the Philippine - U.S. alliance. The second point is the terrorist attack to the World Trade Center and the Pentagon on 11th September 2001. The relationship between the Philippines and the United States was improved because Manila actively supported Washington in the War on Terror. The last point is 2012 with the U.S. return to Asia and the Scarborough Shoal standoff between the Philippines and China.

**From 1991 to 2000**

Although this period witnessed a downturn in the Filipino-U.S. alliance, the military alliance with the United States still played the most significant role in the Philippines’ strategic hedging due to the following reasons. First, the country was occupied by domestic insurrections in the southern region of Mindanao (Hernandez, 1996) and territorial disputes with China in the South China Sea, so it was not in a position to economically engage with China to take advantage of China’s rise (Zhao, 2012). It means that economic engagement was not one of its hedging strategy’s components. Second, although diplomatic engagement led to some achievement, it did not ensure the Philippines’ security. China had continued to act provocatively in the South China Sea. Most important, the Philippines’ military capabilities at that time did not meet the minimum requirements to defend its claims in the South China Sea. The country at that time only had outdated vessels and fighter jets, which was described as “an air force that can't fly and a navy that can't go out to sea” (Marlay, 1997, p.205). Although Manila felt the urgency to modernize its military forces after the withdrawal of the U.S. military in 1992, the modernization program was slowed down by budget constraints and political opposition. Not until the Mischief Reef
incident occurred, a defense modernization bill of USD 12.6 billion was introduced. The bill was finally passed in December 1996 (Storey, 1999). However, due to the 1997-98 financial crisis, the plan was barely implemented (Ortuoste, 2013). It is said that the Philippines’ military power is the weakest among the ASEAN claimants (Buszynski, 2003). Therefore, the country had to rely on its ally for its security.

**Diplomatic Engagement**

In the post-Cold War era, the Philippines has paid attention to diplomatic engagement with China. In 1993, Filipino President Fidel Ramos went to Beijing for a state visit. The leader of the two countries discussed the South China Sea disputes and promoted peaceful settlement (Storey, 1999). Before 1995, diplomatic engagement was considered as successful by Philippine officials (“Scraply Islands”, 1997).

Nonetheless, China’s occupation of Mischief Reef in 1995 marked a turning point in the Philippine-China relations. Despite all the talks on resolving the disputes peacefully, the incident was a shock to the Philippines. It was reported that Chinese forces had installed some structures on and took control over the reef, which is within the 200-nautical mile Exclusive Economic Zone (EEZ) claimed by the Philippines (Marlay, 1997). Although the bilateral relationship between the two nations was seriously jeopardized at that time, Manila sought to resolve the problem through diplomacy. After intensive discussions, China agreed to withdraw its warships from the disputed area when the two sides agreed on a code of conduct regarding the deployment of forces in May 1996. It aimed at avoiding future conflicts and enhancing maritime cooperation in the South China Sea such as joint exploration and military exchanges (Storey,
Nevertheless, the PRC continued to upgrade its installed structures on Mischief Reef in the following year (De Castro, 2007).

Although China had violated the agreement signed in 1996 between the two countries, diplomatic engagement remained the most credible option for the Philippines in dealing with its gigantic neighbor at that time.

**Hard Balancing**

*External balancing*

In 1992, the PRC passed its controversial Territorial Law of the Sea and the Contiguous Zone, by which it claimed sovereignty over the entire Paracel and Spratly Islands. The announcement sparked objections from other claimants. In addition to this, the Mischief Reef incident in 1995 made the Philippines realize the importance of the U.S. presence in its territory. The country, which once closed the American military bases in its territory, saw the United States as a valuable ally again. In 1999, the Philippine Senate ratified the U.S.–Philippine Visiting Forces Agreement (VFA), which was signed one year earlier (Buszynski, 2003). The agreement created a legal framework for treating the American troops participating in defense-related activities under the 1951 Mutual Defense Treaty (De Castro, 2010). The VFA helped to normalize the Philippine-U.S. relations, which were worsened by the closure of Subic Bay. In the second half of the 1990s, the Philippines perceived China’s actions in the South China Sea as a threat to national security, so it relied much on its alliance with the United States.

**Soft Balancing**

*Multilateral Security Agendas*
A crucial element of the soft balancing dimension of the Philippines’ strategy is the Association of Southeast Asian Nations (ASEAN). Manila views ASEAN as an institutional platform to maintain regional peace and stability through norms and its web of relations with external powers (Ortuoste, 2013). There had been an emerging unified ASEAN position since 1992 when China announced its Territorial Law of the Sea and the Contiguous Zone. In response, the organization issued the 1992 Declaration on the South China Sea, which emphasized the essence of peaceful means and nonuse of forces in sovereignty disputes (Weatherbee, 2015, p.175).

After the Mischief Reef incident in 1995, the Philippines brought the issue to ASEAN seeking its support. Other nations in the region expressed their concerns about China’s behaviors in the sea, so they managed to get China onto the negotiation table and talked about a Code of Conduct which can constrain the parties from provocative actions. In the first China-ASEAN Forum in April 1995, an informal session was held to discuss the issue of the South China Sea (Thayer, 2011). Although it was not on the formal agenda, having discussed with China was an achievement. The Philippines also wanted to bring the South China Sea disputes to the ASEAN Regional Forum in May 1995. Nonetheless, other members’ fear of antagonizing China and the Chinese objection prevented the issue from being discussed in the forum. However, ASEAN found a chance to raise the issue with China in a consultative session before formal talks began (Storey, 1999).

As a group of nations, ASEAN’s voice is more significant than individual states. China has to take into account the importance of ASEAN in its economic modernization program (Storey, 1999). By gaining the support of the organization, the Philippines has more confidence in dealing with the PRC.
From 2001 to 2011

During this period, diplomatic engagement played a dominant role in the Philippines’ hedging strategy for several reasons. First, the economic ties with China were not paid attention until 2001. Although the bilateral trade had increased steadily during this period, economic engagement was not the most important component of Manila’s strategic hedging. Second, in spite of the Philippines’ efforts to improve its military capabilities, the plan barely met the minimum defense requirement. Most of the equipment and weapons acquired by the Philippines were second hand, which meant the country was not putting much emphasis on its military modernization. The next reason, which downplayed the role of external balancing, was the nature of the Philippine-U.S. alliance during this period. The alliance, on one hand, was enhanced. On the other hand, the military cooperation between the Philippines and the United States mostly focused on the war on terror. Although ASEAN was successful in making China sign on a multilateral agreement, it is only a non-binding statement. The Philippines also paid more attention to building a coalition with other powers, but the contacts were limited. Another reason behind the primacy of diplomatic engagement with China was the role of President Arroyo, who served as the Philippines’ president from 2001 until 2010. It is said that Arroyo’s term in office was a “golden age” in Philippine-China relations (Wen, 2015, p.249). The most important reason was China’s strategy in managing territorial disputes during this period. The PRC had employed a delaying strategy, which aimed at consolidating its claims in the South China Sea while convincing other claimants of a friendly rising China (Fravel, 2011). A part of the strategy was to demonstrate that China was open to negotiations. It should be noted, however, that China was seeking bilateral negotiations, not multilateral ones.

Diplomatic Engagement
In this period, there was an upturn in bilateral relations between the Philippine and China manifested in frequent exchange of high-level visits. Only in four years, Philippine President Gloria Macapagal Arroyo paid two state visits to China in November 2001 and September 2004. As a diplomatic reciprocation, Chinese President Hu Jintao came to Manila in April 2005. Besides that, a number of high-ranked Chinese officials visited the Philippines, including Chairman of the Standing Committee of the 9th National People's Congress Li Peng (September 2002), Chairman of the Standing Committee of the 10th National People's Congress Wu Bangguo (August 2003), and Premier Wen Jiabao (January 2007) (“Overview of China-Philippines”, 2009). The visit of Philippine President Arroyo to China in 2004 led to a strategic partnership between the two countries. Manila and Beijing agreed to set aside territorial disputes in the South China Sea and enhance mutual understanding as well as economic cooperation. This included high-level exchanges in all fields from business to academic and from government to non-government organizations (“Joint Press Statement”, 2004).

In 2005, the first Philippine-China Annual Defense and Security Dialogue was held when Vice Minister of China’s Ministry of Defense and Deputy Chief of Staff of the People’s Liberation Army came to the Philippines. The event was followed by a joint marine seismic survey which focused on resources exploration and development in the South China Sea, cooperation against terrorism, transnational crimes, and coordination in implementing the ASEAN-China Free Trade Agreement (De Castro, 2015).

During the visit of Chinese Prime Minister Wen Jiabao to the Philippines in 2007, he and Philippine President Arroyo commented that the partnership of the two countries was experiencing a golden age. The visit resulted in the conclusion of the Framework Agreement on Expanding and Deepening Bilateral Economic and Trade Cooperation, which aimed at
promoting economic cooperation and two-way investment (“PGMA: Premier”, 2007).

Furthermore, Filipino President Arroyo expressed that the North Luzon Railway project funded by China was the symbol of friendly relations and cooperation between the two countries (De Castro, 2015).

In June 2010, Benigno S. Aquino III was elected as the next president of the Philippines. Besides promising to fight corruption, the new administration has continued to enhance relations with the PRC. In 2011, President Aquino stated that the Philippine-China relations would not be affected by the tension in the South China Sea (Zhao, 2012).

**Economic Engagement**

As Beijing’s economic power has grown dramatically, Manila realized it could take advantage of this trend by fostering economic and diplomatic ties with China. Following the Framework of Bilateral Cooperation in the 21st Century signed by the two countries in 2000, two-way trade between the Philippines and China increased significantly since 2001. From the limited trading activities during the previous period (1991-2000), China became the 10th largest trade partner of the Philippines for the first time in 2002 (Zhao, 2012).

During the visit of President Arroyo to China in 2004, the two countries agreed to expand mutual investment by encouraging firms to invest in the other country. The scope of the investments covered various fields but the focus lied in infrastructure, agriculture, and information and communications technology (“Joint Press Statement”, 2004). When Chinese President Hu Jintao visited the Philippines in 2005, he predicted that the bilateral trade between the two countries, which was considered as the fastest-growing two-way trade in Southeast Asia, would double in the next five-years (De Castro, 2010). By 2011, China became the Philippines' third largest
trading partner (after the United States and Japan) with two-way trade valued at USD12.6 billion (UN Comtrade, n.d). Tightening economic ties with China had contributed to dramatic growths in Philippine GPD. From 2001 to 2011, it had almost tripled with the values at USD 76.3 billion and USD224.1 billion respectively (World Bank, 2016). This would enable Manila to pursue its military modernization program.

**Hard Balancing**

**Internal Balancing**

During the period between 2001 and 2011, the Philippines had tried to improve its military capabilities with the assistance of the United States. In 2003, the Philippine Defense Reform Program (PDR) and the AFP’s (Armed Forces of the Philippines) Capability Upgrade Program (CUP) were introduced after the visit of President George W. Bush to Manila. While the objective of the PDR was a system-wide reform, the CUP aimed at improving the AFP’s military operation by upgrading its capabilities in communications, mobility, firepower, force protection, and combat life support (De Castro, 2011). From 2001 to 2011, 25 arms transfers were made between the Philippines and other countries. Most of the weapons and equipment came from the United States (SIPRI, n.d).

**External Balancing**

The year of 2001 marked a new page in the Philippine–U.S. security relations. After 9/11, Manila actively supported Washington in the war on terror. In June 2003, the Philippines sent its personnel for humanitarian assistance mission to Iraq and allowed U.S. forces to access its airspace and conduct training with its forces (De Castro, 2011). This helped to revitalize the Philippine-U.S. alliance, which was worsened by the closure of Subic Bay in 1992. In exchange,
the United States provided the Philippines with significant military assistance, including resources and technology to upgrade the latter’s military capability. For instance, many weapons and equipment, including aircrafts, cutters, and assault rifles, were provided to the Philippines between 2002 and 2004 (De Castro, 2010). In 2008, the United States offered an USD15.5 million aid to the Philippines to help the country safeguard its coast by acquiring high-frequency radio equipment and radar stations. Three years later on the sixtieth anniversary of the 1951 Mutual Defence Treaty (MDT), America provided a USD30-million foreign military finance package to help the Philippines improve its military capabilities (Ortuoste, 2013). In addition, one of the two decommissioned coastguard ships, which Washington agreed to transfer to Manila, was handed to the Philippine navy in August 2011 (Lichauco de Leon, 2012).

Soft Balancing

Multilateral Security Agendas

ASEAN still played an important role in the Philippines’ soft balancing. Since the issuance of the 1992 Declaration on South China Sea, ASEAN had discussed with China about the disputes settlement. In November 2002, the two sides agreed on a Declaration on Conduct of Parties in the South China Sea. The document expressed the commitment of the parties to international law and the UNCLOS as well as encouraged them to voluntarily practice self-restraint, nonuse of forces, functional cooperation, and consultation (Weatherbee, 2015, p.176). Although this agreement was just a non-binding political statement which relied on the voluntary will of the parties, it was the first time China agreed on a multilateral arrangement. Since then, Manila has promoted to conclude a binding international Code of Conduct in the South China Sea. In July 2011, the Philippines brought the South China Sea issue to ASEAN again seeking for a solution.
to prevent China from building more military infrastructure in the disputed area (De Castro, 2015).

Coalition with Other Powers

The Philippines has also built a close relationship with Japan. Facing China’s unilateral actions in the South China Sea, the two countries have strengthened their defense ties. In 2011, Philippines President Benigno S. Aquino III paid a state visit to Japan, which led to the signing of the Strategic Partnership between the two countries. The first objective of the agreement is to strengthen bilateral relations in economic, political, security, and people-to-people levels. Second, it aims at maintaining the stability and prosperity in the Asia-Pacific region by ensuring maritime security, promoting regional economic integration, and finding solution for nuclear disarmament in Korea Peninsula among other issues (“Japan-Philippines”, 2011).

From 2012 to present

In April 2012, a Philippine Navy surveillance plane located some Chinese fishing vessels illegally collecting resources in the Scarborough Shoal, which is claimed by both countries. The Philippines sent its warship to arrest the fishermen. However, two Chinese surveillance vessels prevented the arrest (Miks, 2012). Since then, the relationship between the two countries has increasingly soured.

From 2012, soft balancing using a legal approach has become the most important element in the Philippines’ hedging due to several reasons. First, Manila’s decision to bring the South China Sea disputes to the Permanent Court of Arbitration opened a new page in resolving territorial disputes with China based on international laws and rules (Baviera, 2014). Second, the role of ASEAN was downplayed in this period because of its inability to take unified stance among the
members. In 2012, the chair of ASEAN was rotated to Cambodia. Phnom Penh influenced by Beijing did not issue a chair statement for the first time in the organization history, which seriously undermined the unity of ASEAN. The next reason, which lessens the role of external balancing, is the uncertainty of the Philippines about U.S. willingness to defend it in the worst-case scenario of armed conflict with China in the South China Sea dispute. Lastly, regardless the improvement in military capabilities, the Philippines’ projection power is far behind that of the PRC. By 2011, China’s USD129.3 billion defense spending contributed to 8.2 percent of the world military expenditures, while the Philippines’ defense budget was only about 1 percent of that amount (Ortuoste, 2013).

**Economic Engagement**

In spite of the escalating tensions in the South China Sea since 2012, Philippine Finance Secretary Cesar Purisima confidently asserted that the economic ties between the Philippines and China would not be negatively affected by the territorial disputes. He believed that trade offered a win-win situation, so maintaining a positive economic relationship would be beneficial for both sides (Remo, 2014). After the Scarborough Shoal standoff in 2012, the trade volume between the Philippines and China continued to increase by 5.5 percent over 2011 from USD12.606 billion to USD13.3 billion (WITS, n.d). By 2014, China became the Philippines’ second largest trading partner (after Japan) with the bilateral trade reaching USD18.3 billion, of which, the Philippines’ export to and import from China were valued at USD 8.5 billion and USD 9.9 billion respectively (“Foreign Trade Statistics”, 2015).

**Hard Balancing**

**Internal Balancing**
In this period, the Philippines has strengthened its economic and military power. From 2012, the country has achieved an average of 6.6 percent GDP growth annually. During the three periods of analysis in this paper, this period is the first time the Philippines’ economic growth is greater than Vietnam’s (World Bank, n.d). It is said to be a new “tiger economy” in Asia (De Castro, 2014).

After the Scarborough Shoal incident, Manila passed the Armed Forces of the Philippines (AFP) Modernization Act of 2012, in which 138 projects to modernize the Filipino military forces in a 5-year period were announced (Ortuoste, 2013). In addition, the Philippines-U.S. Enhanced Defense Cooperation Agreement (EDCA) was signed in 2014. It will help the Philippines to modernize its military forces with the support from the United States (Baviera, 2014). The Philippines has also been trying to diversify its military supply sources. In doing so, the state plans to acquire equipment and weapons from a number of countries outside the United States, including Japan, South Korea, Australia, France, Italy, Russia, and South Africa (Ortuoste, 2013).

*External Balancing*

The year 2012 marked the return of U.S. commitment to the region with its grand strategy “Rebalance to Asia”. With China’s assertiveness in the Scarborough Shoal, the Philippines has tightened the military alliance with the United States. Washington is supporting Manila in improving its military capabilities. The Pentagon agreed to transfer a number of weapons and equipment to its ally including vessels, fighter jets, and a coastal radar system (Lichauco de Leon, 2012). Early 2012, the Philippines intended to broaden access to its territory for the American
military to receive services (Zhao, 2012). This was actualized when the two nations signed the Enhanced Defense Cooperation Agreement (EDCA) in 2014 (Parameswaran, 2015).

In August 2015, Manila asked Washington for military assistance in overseeing the South China Sea. The Philippines hopes to receive water and air surveillance and reconnaissance supports from its ally. In response, the United States agreed to provide direct military aids to the Philippines with the value of a USD50 million for this year (Gady, 2015). The United States offered the Philippines four new patrol vessels the next month after the Philippines’ request and announced to provide two more in November 2015. This aimed to build Manila’s capability and enhance its maritime security (Parameswaran, 2015). In December 2015, Washington also offered 114 armored vehicles to Manila to help upgrade its military (Parameswaran, 2015).

The constitutionality of the EDCA inked two years ago was eventually approved by the Philippine Supreme Court in January 2016. It means that the agreement is in fact a new treaty rather than an executive agreement (Parameswaran, 2016). With presence of the American forces in its base on a rotational basis, the Philippines will be better prepared for any development in the South China Sea.

**Soft Balancing**

*Coalition with Other Powers*

Besides the United States, the Philippines also strengthened relationship with other powers, such as Japan, South Korea, and Australia.

In July 2012, the Philippines and Japan inked a Statement of Intent of the Greater Defense Cooperation Agreement. The five-year pact enabled multilevel exchanges in a number of aspects,
including military cooperation, security and defense, education, and maritime information. The two countries also identified areas of cooperation such as international peacekeeping operations and capacity building (Amurao, 2012). In 2013, Tokyo announced the transfer of ten patrol boats to Manila to help enhance the country’s military capabilities. The deal was said to start in 2016 (Gady, 2016). In addition, Japan provided a low-interest loan for the Philippines to purchase additional 10 new patrol vessels in 2015 (The Wall Street Journal, 2015). The defense ties between the two countries were strengthened when President Aquino visited Tokyo in June 2015 and signed the Joint Declaration on the Strengthened Strategic Partnership (Pollmann, 2015). The two countries concluded a new defense agreement which included a framework for military supply, provisions for joint research, and outlines for joint military training in early 2016 (Gady, 2016). Furthermore, Japan was reported to lease five of its retired training aircraft to the Philippine Navy, which will enable the latter to cover most of the Spratly islands. The deal aimed at shortening the defense equipment gap between Southeast Asian countries China (“Japan to Lease”, 2016).

The Philippines also enhanced defense ties with South Korea against China’s assertiveness. In December 2014, Philippine President Aquino mentioned the idea of comprehensive strategic partnership with South Korea when the leaders of the two countries met at the 25th ASEAN-Republic of Korea Commemorative Summit. In September 2015, the visit of South Korean Defense Minister to Manila led to the signing of a five-year pact, which focused on the protection of classified military information (Parameswaran, 2015).

In July 2012, Manila ratified the Status of Visiting Forces (SOFA) agreement with Australia. The pact was signed five years earlier but had been pending as the result of nationalistic opposition. The agreement was said to be linked to the tensions in the disputed South China Sea. It allows
the presence of Australian forces in the Philippines and enables joint military training (Amurao, 2012).

Legal Approach

This approach involves third party mediation or arbitration to solve the disputes based on international norms or law. The purpose is to promote communication between the parties to settle the issue peacefully (De Castro, 2015).

Since January 2013, the Philippines has resorted to international arbitration by bringing the disputes to the Permanent Court of Arbitration (PCA). In its application, the Philippines has requested the arbitration to rule on three issues. The first one is the validity of the so-called nine-dash line that China uses to claim most of the South China Sea. Second, some features including Cuarteron Reef, Fiery Cross Reef, Johnson Reef, and Scarborough Shoal, which are submerged at high tide, are considered as islands or rocks under the United Nations Convention on the Law of the Sea (UNCLOS). Lastly, the PCA is requested to declare that China has unlawfully prevented the Philippines from exercising its rights in its 12-mile Territorial Sea, 200-mile EEZ, and Continental shelf (De Castro, 2014).

As expected, China refuses to take apart in the case by saying that the arbitral tribunal does not have jurisdiction. On December 7, 2015, Beijing issued its position paper providing details of its arguments. It asserted that China and other claimants had to solve the question of who owned what before determining the extent of the claims (Tiezzi, 2014). Although China’s refusal raises the question about good faith, it is actually entitled to declare whether it wants to participate in the case under international law. However, it is important to understand that, the absence of China cannot change the fact that it has recognized the compulsory jurisdiction of the Court.
since it became a party of UNCLOS in 1996. Therefore, China remains a party of the case despite its non-participation and will be bound by the ruling of the arbitral tribunal whether it agrees with the decision or not (Nguyen, 2015).

On October 29, 2015, Permanent Court of Arbitration ruled that it has jurisdiction on the case brought by the Philippines against China in the South China Sea disputes. Beijing continued to deny the arbitral tribunal’s jurisdiction and accused the Philippines of abusing the procedures for disputes settlement by unilaterally bringing the case to international arbitration. Nevertheless, it is stated in Article 300 of UNCLOS that unilateral initiation to arbitration cannot be considered as an abuse of right. Even if China remains absent, the decision made by the arbitration will be final and cannot be appealed by the parties (Panda, 2015).

CONCLUSION

Since the end of the Cold War, the Philippines has pursued a hedging strategy in relations with China. The strategy consists of four components: diplomatic engagement, economic engagement, hard balancing, and soft balancing. Each of the components has showed its strengths and weaknesses in dealing with the PRC.

Diplomatic engagement has helped Manila maintain a positive relationship with Beijing as well as a foundation for closer economic ties. However, it does not provide solid assurance for the Philippines’ security.

Economic engagement has contributed to the country’s economic development. As the bilateral trade with China increases, the Philippines’ GDP also grows. Nonetheless, increasing dependence on the Chinese economy may harm the Philippines’ security, as China is willing to exert economic pressure on the Philippines when tension in the South China Sea rises. The
Scarborough Shoal incident is the case in point. After the clash, the Chinese government banned import of Philippine bananas and warned Chinese tourists not to go to the Philippines (Ortuoste, 2013).

Hard balancing includes two sub-components: internal and external balancing. The Philippines’ modernization program has improved the country’s military capabilities. This will enhance Manila’s ability to monitor, patrol, and search and rescue. Nevertheless, it only satisfies minimum defense requirement. The Philippine’s military power is said to be the weakest among ASEAN claimants, not to mention China. Deepening the military alliance with the United States, on one hand, helps the country gain support to modernize its military as well as make use of the American military umbrella. One the other hand, it means that the Philippines will be more dependent on its ally. If the Philippines cannot diversify its military suppliers in time, the assistance from the United States may not be enough. Furthermore, the United States has expressed that the scope of the Philippine-U.S. defense treaty only cover the Philippines’ undisputed territories, so Manila cannot rely on its ally to defend its claims in the South China Sea.

Soft balancing with its sub-components also has advantages and disadvantages. Using multilateral security forums, especially ASEAN, may increase the chance of successful settlement of the disputes. However, it depends largely on the unity of the organization. Coalition with other powers in the region has provided the Philippines significant military support to build up its military capabilities. Nonetheless, this connection is not bound by any formal alliance, which can help to protect the Philippines in the worst-case scenario of armed conflict with China. Bringing the dispute in the South China Sea to international arbitration provides the Philippines a legal ground for its claims as well as constrains China from
provocative actions. This also demonstrates Manila’s hard-line stand in the dispute that it will not let anyone, even a great power, violate its sovereignty. Nevertheless, there is a concern that this legal approach will sour the bilateral relations between the two countries. The legal approach presents risks to the smaller power’s economy and foreign investments.

Although the Philippines’ hedging strategy has four components, it does not mean that all of the components remain the same over time and/or carry equal weights. Some of the sub-components are absent during certain periods. Others play a critical role in different times. From 1991 to 2000, external balancing was the most important factor in the country’s strategic hedging. During the period between 2001 and 2011, the focus lied in diplomatic engagement. From 2012, legal approach plays a central role in the Philippines’ hedging strategy.
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