

June 2014



Rebuilding while performing Military modernisation in the Philippines

Peter Chalk

Executive summary

The Government of the Republic of the Philippines (GRP) is engaged in a concerted effort to modernise its military into a service that's capable of projecting a posture of credible external deterrence. This transformation effort has been developed in line with the concept of 'rebuilding while performing'. Its overarching goal is to equip the Armed Forces of the Philippines (AFP) with the necessary capabilities to protect the territorial integrity of the state, offset evolving foreign defence challenges, and ensure the attainment of Manila's strategic maritime interests—particularly as they relate to claims in the South China Sea (SCS).

The transformation will focus on four key areas: the full implementation of the Internal Peace and Security Plan (IPSP); organisational reforms with the goal of ensuring full transparency in military spending; strengthening the AFP's territorial defence capabilities; and the development of a naval force that can protect Manila's maritime interests in the West Philippine Sea. To that end, the GRP has prioritised three central innovations over the short to medium term.

First is the establishment of 'appropriate strategic response forces' in all three branches of the AFP to undertake integrated defensive missions and deter potential external threats that could harm the country's core national security interests. To achieve this, the GRP is looking to institute a joint operational concept that will integrate capabilities across the sea, air, land and cyberspace domains.

Second is the creation of an enhanced command, control, communication, intelligence, surveillance, reconnaissance (C4ISR) system to support joint strategic defence operations

and improve situational awareness through the faster collection, structural fusion, analysis and dissemination of shared information. The same capabilities will also be used to provide intelligence-based and focused countermeasures for securing vital installations, energy facilities and international sea lanes that run through the Philippines' territory and exclusive economic zone (EEZ).

Third is the development of a modern satellite communications network to work alongside improved C4ISR platforms to give nationwide coverage for sovereignty surveillance and reconnaissance. The idea is broaden existing ties (or build new ones) with other nations and (where appropriate) private firms to create mutually beneficial arrangements that can be leveraged to share capabilities, systems, technology and personnel.

Two factors, in particular, have been instrumental in driving the reform process:

- *A more benign domestic threat environment.* The Philippines has historically faced a wide array of internal security threats, which have ranged from communist-inspired insurgency and Moro Muslim ethno-religious separatism to Islamist *jihadi* terrorism. While these forces have yet to be totally overcome, the scale and scope of their operations have dramatically declined in recent years and none now pose a genuine threat to domestic stability.
- *Heightened territorial competitiveness in the SCS.* The People's Republic of China (PRC) has adopted an increasingly forward-leaning posture to enforce its self-proclaimed historical jurisdiction over the disputed

Paracel and Spratly islands, Scarborough Shoal and Macclesfield Bank. This assertive stance has brought it into direct conflict with the Philippines (as well as Vietnam, Malaysia and Brunei), as the wider maritime space that Beijing claims encompasses areas that fall well within Manila's EEZ.

President Benigno Aquino III has sought to address Beijing's claims in the SCS by committing to a fast-track defence transformation. However, his administration's planned upgrades are unlikely to be enough to credibly deter PRC assertiveness in the short term, and the government has yet to articulate a viable strategy for overcoming the fiscal constraints that a complete remodelling of the AFP would require over the medium term. In light of this predicament, are there alternative, more cost-effective, approaches that could be considered?

One viable solution is to revisit current and future procurement plans for advanced aircraft and combat ship capabilities and instead concentrate available national resources on creating an effective land-based system of anti-ship missiles (ASMs). Establishing an integrated network of this sort would be far cheaper than a complete defence transformation. It would also require fewer specialised personnel, equipment and facilities than a single high-performance fighter squadron and so could be put into service far more quickly. Properly configured, a system of ASMs could ensure the security of the vital Malampaya Natural Gas and Power Project—which supplies nearly half of Luzon's electricity—and also provide adequate coverage of Manila's claims in the Spratlys and possibly even the Scarborough Shoal.

The US, which has a long and established history of security ties with the Philippines, has a vested interest in supporting the GRP's current defence transformation plans, as this could help to counter Beijing's assumed intent to exert uncontested sovereignty over the SCS. However, actively assisting Manila in procuring advanced aviation and naval platforms in the numbers required to credibly offset China's growing military strength would be both expensive and potentially dangerous, further straining what's already a stressed political relationship. Helping with the establishment of a mobile

coastal defence system would be far cheaper and much less contentious. If properly configured, such a network could empower a capable and self-reliant partner that is more readily positioned to independently resist pressure from Beijing. It would also reinforce and focus Washington's own strategic intent—officially announced in January 2012—to 'pivot' towards Asia while avoiding force postures that could provoke the PRC into taking unilateral military action of the sort that could threaten US and allied interests or quickly escalate out of control.

Moves by the GRP to enhance the Philippines' external force posture in the SCS also have implications for Australia. So far, virtually all of Canberra's security assistance has been directed to boosting the capabilities and professionalism of the Philippine National Police (PNP). Now that Manila has reoriented its defence priorities from internal to external security, an argument could be made that Australia should realign the focus of its aid package to enable a sharper focus on promoting AFP force projection.

Doing so, however, would be unwise for at least two reasons. First, in many ways the PNP remains a relatively weak entity that's beset by corruption, a dearth of basic investigative skills, a lack of intra-agency coordination and inadequate intelligence coordination. The Australian Federal Police has instituted several capacity-building and training programs over the past 10 years to address these problems. Prematurely terminating ongoing initiatives would not only be a significant waste of resources, it could also lead to a domestic enforcement void in the Philippines that once again allows internal threat actors to assume prominence.

Second, it could exacerbate tensions with Australia's main economic partner—China. Adopting an explicit posture of military support for Philippine claims in the SCS would be likely to reinforce a perception in Beijing that Canberra is fully committed to working with Washington in strategically containing the PRC in the Asia-Pacific. At best, this could complicate the consolidation of future economic and trade agreements; at worst, it could encourage China to search for new (non-Australian) sources of energy resources and alternative markets for its exports.

1 Philippine defence: reform and transformation

The Government of the Republic of the Philippines (GRP) is engaged in a concerted effort to modernise its military into a service that's capable of projecting a posture of credible external deterrence. This transformation effort has been developed in line with the concept of 'rebuilding while performing'. Its overarching goal is to equip the Armed Forces of the Philippines (AFP) with the necessary capabilities to protect the territorial integrity of the state, offset evolving foreign defence challenges, and ensure the attainment of Manila's strategic maritime interests—particularly as they relate to claims in the SCS.¹

The program is the successor to and a 'fast-track' continuation of two security-sector reform initiatives that were initiated under the Gloria Macapagal-Arroyo administration in the post-9/11 era: Philippine Defense Reform (PDR) and the Capability Upgrade Program (CUP). The former provides the 'software' to foster individual and professional competence in the resource management of the defence establishment, while the latter aims at identifying the 'hardware' for maximising the effectiveness of the AFP as a military organisation.²

Philippine Defense Reform

Responsibility for PDR fell to the Philippines Department of National Defense (DND), which set up an AFP Modernization Office to coordinate and redirect military reform in accordance with a multi-year defence planning system. This long-range scheme, developed with US assistance, was divided into three discrete phases:

- 2004–2005, which was devoted to creating a reform structure and defining standard processes
- 2005–2008, which focused on empowering the AFP through resources and training
- 2008–2011, which sought to institutionalise and sustain the reform process by integrating, evaluating and refining improvements.³

The US played an integral role in supporting PDR, providing both funding (US\$41 million between 2004 and 2007) and subject matter input to the creation of a revamped battalion retraining program for the military. The major

thrust of American assistance was to create a reliable and competent coalition partner that was capable of strategically and independently neutralising the wide array of internal security challenges it was then facing, so that attention could subsequently turn to meeting regional security and defence responsibilities.⁴

PDR was meant to complement the earlier National Internal Security Plan (NISP), which prescribed the general political framework and policy guidelines for coordinating, integrating and accelerating all government action against domestic threats in the 21st century. These were prioritised as:

1. counterinsurgency (COIN), primarily directed against the New People's Army (NPA) of the Communist Party of the Philippines (CPP)
2. counter-separatism, addressing the challenge from the Moro Islamic Liberation Front (MILF)
3. counterterrorism, against both local and regional Islamist extremist organisations—notably Jemaah Islamiyah (JI) and the Abu Sayyaf Group (ASG)
4. counter-destabilisation, which involved measures to prevent the overthrow of the government.⁵

Capability Upgrade Program

The CUP is an 18-year effort aimed at retooling the AFP to allow it to comprehensively neutralise—or strategically contain—domestic threat groups so that the emphasis of military action can progressively switch to external territorial defence and force projection. The program is divided into three 6-year plans:

- 2006–2011, which deals with internal security operations and the acquisition of equipment that can be brought to bear against the CPP–NPA, MILF, ASG and JI.
- 2012–18, which focuses on strategically containing domestic rebels (to 2016) and then gradually transitioning from internal security operations to external defence
- 2019–2024, which concentrates on the full consolidation of territorial defence and the development of capabilities that can be applied to regional peacekeeping.⁶

As can be seen, the first 10 years of the CUP (2006–2016) are devoted to internal security operations and the appropriation of hardware that can be employed in COIN/

counterterrorism settings. Assets that have been emphasised include utility/attack helicopters, sniper and assault rifles, patrol-killer medium boats for coastal operations, and ancillary equipment such as body armour, field radio sets and night-vision goggles.⁷

The defence transformation

While both PDR and the CUP were directed to modernising the AFP, the focus was always on internal security operations on the twin assumptions that domestic groups constituted the main threat to the stability of the state and that the GRP wouldn't face an external enemy until at least 2018. As a result, the armed forces were never endowed with the means for projecting force, much less providing credible deterrence—even if that was the long-term goal of the overall reform process.

In terms of assets, this was and continues to be patently clear. In late 2005, the GRP decommissioned the last of its F-5A fighters, which denuded the Philippines Air Force (PAF) of all air offensive/defensive platforms and left it only with antiquated, slow-moving, light attack aircraft, transportation carriers, training planes and helicopters (see Tables 1 and 2). The Philippines Navy is in a similar state of disrepair. While it operates scores of coastal patrol boats (mainly to support army COIN operations), the core of its offshore fleet consists of two Gregorio del Pilar class frigates procured from the US, three Jacinto class corvettes obtained from the UK following the dissolution of the Royal Navy's Hong Kong Squadron, another eight American Rizal/Miguel class corvettes and a World War II-era destroyer (the *Rajah Humabon*). Equipped with limited armaments, such as 76 mm auto cannons, and lacking any type of anti-ship/anti-missile defences or integrated sensors, these vessels would have marginal value in a modern naval battle.⁸

One of the main priorities of the current Aquino III administration is to address this situation. On assuming office in 2010, the new president vowed to overhaul and upgrade a defence establishment that in many respects had become Southeast Asia's military laggard.⁹ Although Aquino confirmed that all projects initiated under PDR would be completed as scheduled, he committed to fast-tracking the ongoing CUP to allow for an immediate shift from internal security operations to external territorial defence.

Table 1: Philippines Air Force fixed-wing assets, 2012

Type	Role	Number in service
OV-10A Bronco	Light attack / COIN	4
OV-10C	Light attack / COIN	5
SF-260 TP	Light attack / COIN	5
C-130 B Hercules	Transport	5
C-130 H Hercules	Transport	2
L-100-20 Hercules	Transport	2
N22B Nomad Missionmate	Transport	1
F-27-200 Friendship	Light attack / VIP transport	2
F28 MK3000	VIP transport	1
S.211	Trainer / light attack	12
T-41B Mescalero	Trainer	15
T-41D Mescalero	Trainer	2
SF-260F	Trainer	18
Commander 690A	Mapping	1

Source: *Jane's World Air Forces*, no. 35, IHS, London, 2012, p. 510.

Table 2: Philippines Air Force rotary-wing assets, 2012

Type	Role	Number in service
520 MG	Attack	12
AUH-76	Attack	3
S-70A Black Hawk	Utility	1
S-76A Black Hawk	Utility	1
UH-1H Iroquois	Multi-role	44
205A	Utility	5
412 EP	Utility	4
412 SP	Utility	2

Source: *Jane's World Air Forces*, no. 35, IHS, London, 2012, p. 510.

To achieve that objective, the AFP Modernization Act was passed in 2012. The legislation set out a state policy to transform the defence forces according to seven broad strategic objectives, four of which directly relate to external relations:

- To develop the AFP's capability to uphold the territorial integrity and sovereignty of the Philippines and to secure the national territory from all forms of intrusion and encroachment
- To develop the AFP's capacity to assist civilian agencies in the preservation of the national patrimony, including the Philippines' living and non-living marine, submarine,

mineral, forest and other natural resources located within its territory and exclusive economic zone (EEZ)

- To improve the AFP's ability to work with other government agencies in the enforcement of domestic and foreign policies as well as international conventions against maritime piracy, white slavery, smuggling, drug trafficking, hijacking of aircraft and seacraft and the transport of toxic and other ecologically harmful substances occurring in or near Philippine territory
- To develop the AFP's capability to fulfil the country's international commitments.¹⁰

The AFP's new Internal Peace and Security Plan (IPSP)—*Oplan Bayanihan* (Operation Plan Community Spirit)—also recognises the need to overhaul the armed forces. This initiative provides for a three-year transition period, during which the military will develop the capabilities required for unilateral defensive operations against external armed aggression.¹¹ The long-term objective of the IPSP is to establish a comprehensive system of border security, anchored on the existing National Coast Watch System (Table 3), the PAF, the Philippines Navy and the Philippines Coast Guard, that will extend from the GRP's territorial waters to its contiguous EEZ.¹²

Taking its cue from the AFP Modernization Act and *Oplan Bayanihan*, a joint DND–AFP team has since formulated a long-term capability plan for the AFP, which is designed to modernise the armed forces' technology and equipment and boost the professionalism of its personnel as an integral component of comprehensive security sector reform. To finance this effort, the executive has proposed an annual rolling budget of 8 billion pesos (roughly A\$169 million) over five years, the lion's share of which will go to the air force and navy.¹³

The current AFP Chief of Staff, Lieutenant General Jessie Delloso, has confirmed that the future direction of defence transformation will focus on four key areas: the full implementation of the IPSP; organisational reforms, with the goal of ensuring full transparency in military spending; strengthening the AFP's territorial defence capabilities; and the development of a naval force that's able to protect Manila's maritime interests in the West Philippine Sea.¹⁴ To that end, the GRP has prioritised three central innovations over the short to medium term.

First is the establishment of 'appropriate strategic response forces' in all three branches of the AFP to undertake integrated defensive missions and deter potential external threats that could harm the country's core national security interests. To achieve this outcome, the GRP is looking to institute a joint operational concept that will integrate capabilities across the sea, air, land and cyberspace domains (Table 4).

Second is the creation of an enhanced command, control, communication, intelligence, surveillance and reconnaissance (C4ISR) system to support strategic defence operations and improve situational awareness through the faster collection, structural fusion, analysis and dissemination of shared information. Those capabilities will also be used to provide intelligence-based and focused countermeasures for securing vital installations, energy facilities (such as the Malampaya Deep Water Gas-to-Power Project¹⁵), and international sea lanes that run through Philippine territory and the surrounding EEZ of the archipelago.

To this end, the DND has prioritised:

- joint and interagency command and control capabilities to facilitate all shaping activities and prevent armed threat groups from gaining advanced military assets
- area mechanisms for the joint coordination of procedures, systems and, where necessary, command and control to plan and conduct complex interagency operations
- expanded command and control capabilities to discern appropriate force levels for use against internal and external threat groups.

Third is the development of a modern satellite communications network to work alongside improved C4ISR platforms to provide nationwide coverage for sovereignty surveillance and reconnaissance. The idea is to broaden existing strategic partnerships (or build new ones) with other nations and (where appropriate) private firms to create mutually beneficial arrangements that can be leveraged to share capabilities, systems, technology and personnel.¹⁶

Table 3: Philippine National Coast Watch System

Purpose	Functions	Components	Command
Established under Executive Order 57, the National Coast Watch System will be ‘the central interagency mechanism for a coordinated and coherent approach on maritime issues and maritime security operations towards enhancing governance in the Philippines’ maritime domain’.	<ol style="list-style-type: none"> 1. Gather, consolidate, synthesise and disseminate information relevant to maritime security. 2. Develop and maintain effective communications and information systems to enhance interagency coordination in maritime security operations. 3. Coordinate the conduct of maritime surveillance or response operations upon the request of a member agency or when an exigency arises. 4. Plan, coordinate, monitor, evaluate, document and report on the conduct of maritime security operations. 5. When so authorised, coordinate cross-border and multinational security cooperation. 6. Coordinate support for the prosecution of apprehended violators. 7. Conduct periodic assessments on maritime security. 	<p>Twenty offshore platforms that have both surveillance and interdiction capabilities and are equipped with radars, automated information systems, UHF radios, high-powered binoculars and infrared cameras.</p> <p>Philippines Coast Guard assets:</p> <ul style="list-style-type: none"> • light patrol gunboats • fixed-wing Islander aircraft. <p>Philippines Navy assets (‘drawn on an as-needed basis’):</p> <ul style="list-style-type: none"> • rigid-hull inflatable boats • logistics support vessels • Jacinoto class corvettes • close attack craft. 	<p>Maritime Research Information Center:</p> <ul style="list-style-type: none"> • operational 24/7 with a staff of 18 • responsible for compiling strategic threat assessments and providing an informed and unified picture of the maritime environment in the Philippines.

Source: Author interviews, Maritime Research Information Center, August 2011.

Table 4: Capabilities for the development of strategic response forces

Capability	Purpose
Three-tiered navy to undertake subsurface, surface and air warfare operations	Sea-denial and patrol to ensure the sovereignty of the Philippine archipelago and the country’s EEZ
Strategic Air Strike Force equipped with multi-role fighter aircraft and unmanned combat air vehicles capable of air interdiction, air combat manoeuvring, air-to-ground and air-to-ship missions	Gain and maintain air superiority over friendly and contested territories; eliminate an enemy’s military potential; support surface forces through the provision of air-delivered weapons
Adaptive, rapidly deployable expeditionary force (Brigade Battle Group) consisting of elements drawn from the army and marines	Undertake operations across the full conflict spectrum—from conventional to unconventional, symmetric to asymmetric, and high intensity to low intensity; contribute to the conduct of regional peacekeeping missions
Strategic sea- and airlift	Support rapid deployment and expeditionary forces
Special operations forces organised, trained and equipped to support conventional military units	Provide a versatile military capability to defend Philippine national interests; act as a cost-effective force multiplier that can provide substantial leverage with reasonable effort and financial outlay; undertake unconventional guerrilla operations in the event of a foreign invasion
Air, land and sea missile platforms	Enhance the firepower and lethality of strategic response forces
Land and sea mine platforms	Support external/territorial defence operations, such as sea denial/ interdiction and infantry and mechanised missions

Source: Department of National Defense (DND), *Transforming the Department of National Defense to effectively meet the defense and security challenges of the 21st century*, pp. 10–11.

The overall vision is to synchronise and institutionalise these upgrades to establish the entire DND as a single whole that's fully capable of conducting joint maritime surveillance, defence and interdiction operations.¹⁷ As noted, a total of forty billion pesos (8 billion over five years) has so far been allocated for this effort, which will be used to finance up to 24 modernisation projects that are due to be completed by mid-2016 (to coincide with the end of Aquino's six-year term in office). The programs include the procurement of F-16 fighters, naval helicopters, frigates, patrol aircraft, patrol ships, multipurpose attack vessels, air-defence radar platforms and long-range surveillance planes. Among the most high-profile planned acquisitions will be the purchase of three decommissioned Hamilton class high-endurance cutters from the US Coast Guard (which can be retrofitted with RGM anti-ship cruise missiles) and up to twelve T/A-50 surface attack aircraft from Korea Aerospace Industries, worth around A\$467 million.¹⁸

2 Internal and external developments

Two factors, in particular, have driven the GRP's defence transformation policies: a radically altered internal threat environment and greater Chinese assertiveness in the SCS.

A reduced domestic threat environment

The Philippines has historically confronted a wide array of internal security dangers. As encapsulated in the NISP, these hazards have ranged from communist insurgency by the CPP and NPA, to the MILF-instigated ethno-nationalist separatism and ASG and JI Islamic extremism. While the state continues to confront residual challenges from those entities, their overall threat quotient has declined dramatically in recent years.

The communists

The NPA emerged as the armed wing of the CPP in 1968. The group's stated aim is to replace the current political and economic order in the Philippines with a socialist system through a strategy of protracted people's war. To achieve this objective, the movement has used all tactical means at its disposal, including military action, mass mobilisation and political lobbying.¹⁹ At the height of its strength, the NPA–CPP could count on 28,000 members organised into guerrilla fronts that were widely dispersed across the country. Through its legitimate wing, the National Democratic Front (NDF), the movement also managed to penetrate key sectoral organisations that were then leveraged to support the communist struggle, including youth groups, labour unions, churches, university student bodies and political parties (mainly by buying off corrupt congressional representatives).²⁰

The majority (60%) of the NISP's resources²¹ was always devoted to COIN efforts against the CPP–NPA. The organisation was deemed to be the main threat to the security of the Philippines because of its motivating goals (the overthrow of the government), geographical spread (nationwide) and infiltration of key state institutions. The GRP's strategy emphasised a holistic approach to combating the communist insurgency that was based on five 'hard' coercive offensives and three 'soft' incentive programs (Table 5). The goal was to achieve a strategic victory over the CPP–NPA by 2010—defined as a 75% reduction in the movement's strength, capability and influence, based on 2007 figures.²² Although that hasn't occurred—at least in strict numerical terms—the CPP–NPA is weaker today than at any time in the past. The movement now has fewer than

Table 5: National Internal Security Plan offensives and programs

COIN offensives	COIN programs
Military: directed at degrading the operational capabilities of the NPA	Amnesty: instituted to encourage CPP–NPA defections
Legal: aimed at securing the conviction of CPP–NPA cadres	Social reintegration: focuses on the demobilisation, disarmament and reintegration of 'repentant' NPA cadres
Economic: focused on cutting the flow of funds to the CPP–NPA from sympathisers in the Philippines and abroad	Human rights: intended to boost the human rights awareness and understanding of the AFP and Philippines National Police
Political: Designed to wean local community organisations away from the CPP–NPA	
Strategic communication/psychological: formulated to delegitimise CPP–NPA propaganda and promote the image of the Philippines as a socially caring state	

Source: NSC, Manila.

5,000 cadres at its disposal, has suffered from the capture of many of its main leaders and has been driven from many towns and hamlets—retaining a presence in less than 5% of all *barangays* (the smallest local government unit).²³ Reflecting its degraded capacity, only around 20–30% of the CPP–NPA’s activity currently takes the form of classic guerrilla war, with the bulk of its action now rooted in extortion schemes (especially evident during elections) and propaganda campaigns organised by the NDF to discredit the GRP.

Moro Islamic Liberation Front

The MILF is a breakaway movement of the Moro National Liberation Front (MNLF), which was established in 1972 and historically served as the main vehicle for pursuing the national Moro struggle in the southern Philippines. The latter entity eventually signed a peace agreement with the GRP (the Davao Consensus) in 1996, which provided for a limited, four-province Autonomous Region of Muslim Mindanao.²⁴

The MILF was established in 1984 under the hardline leadership of Hashim Salamat with the aim of creating an independent Islamic state in all areas of the southern Philippines where Moro Muslims have traditionally been a majority. The group has an estimated 11,000 men under arms, organised into 14 main base commands and equipped with a wide array of weapons, including M1 Garand, M16 and M14 assault rifles, M203 grenade launchers, landmines, locally manufactured M79 rocket-propelled grenades, .50 and .60-caliber machine guns and anti-tank munitions.²⁵ Since its emergence, it has spearheaded the ethno-religious separatist campaign in Mindanao.

Following the death of Hashim Salamat in 2003, the MILF moderated its goal of outright independence under the more pragmatic and politically astute leadership of Al Haj Murad Ebrahim, who understood that a guarantee of comprehensive autonomy was the greatest concession that could realistically be extracted from Manila. This more accommodating stance opened the way for Malaysian-brokered negotiations that were aimed at resolving a broad array of issues pertaining to the creation of a future self-governing Moro Muslim homeland.²⁶ Although talks fluctuated over six years, a final agreement was signed in March 2014. The accord provides for the establishment of a so-called Bangsamoro Judicial Entity (BJE)—an autonomous region for Moro Muslims within the

constitutional ambit of the Philippine state—and the phased disarmament of MILF cadres, most of whom are expected to be integrated into the AFP or PNP.²⁷ The deal marks the effective end of 30 years of warfare that has left more than 120,000 people dead. Although the deal isn’t endorsed by renegade MILF elements—who have since formed their own faction in the guise of the Bangsamoro Islamic Freedom Fighters²⁸—or the MNLF which fears that the BJE will encroach on autonomy arrangements it secured under the terms of the Davao Consensus—it does represent a significant step forward in the stabilisation of the southern Philippines.

Abu Sayyaf Group

The ASG (literally ‘bearer of the sword’), another splinter of the MNLF, was founded on Basilan Island in 1991 under the command of Abdurajak Janjalini. Originally known as the Al Harakat-ul Al Islamiya, the group has stated its goals as the eradication of all Christian influence in the southern Philippines and the creation of an independent Islamic state of Mindanao.

Although originally predicated on localised religious separatist imperatives, the ASG quickly linked those objectives to the regional and global supremacy of Islam through armed struggle. The group was subsequently tied to *Oplan Bojinka*—a multipronged terror plan hatched by Ramzi Yousef, a ‘freelance’ *jihadi* extremist and the convicted mastermind behind the 1993 attack against the World Trade Center in New York. The attack campaign was to have included the assassination of the Pope and President Clinton while they were visiting the Philippines in 1996, the coordinated bombings of Washington’s embassies in Manila and Bangkok, and the mid-air destruction of US commercial aircraft flying trans-Pacific routes from the American western seaboard. The plot was foiled only after volatile explosives ignited a fire in an apartment that Yousef was renting in Manila, forcing him to flee to Pakistan, where he was subsequently detained. Although the ASG suffered a setback in 1999 when Janjalini was killed during a police shoot-out, the group was re-energised in 2003 under the combined leadership of Janjalini’s younger brother, Khadaffy, and Jainal Antel Sali (aka Abu Soliman), who together oversaw a wave of deadly attacks and pre-empted strikes that were justified in the name of the global *jihadi* struggle against the West (Table 6).

Table 6: Selected high-profile attacks and plots attributed to ASG, 2004–2007

Date	Incident
February 2004	Firebombing of Philippine <i>SuperFerry 14</i> This attack, which was a joint operation between ASG and JI, left 116 people dead and remains the most destructive act of maritime terrorism in history.
February 2005	Coordinated attacks in Davao City, General Santos City and Manila (known as the 'Valentine's Day' bombings)
March 2005	Pre-empted strikes on restaurants and nightclubs popular with foreigners in Manila's central business district
March 2006	Bombing of a crowded supermarket in Jolo
November 2007	Assassination of congressional representative Wahab Akbar Although the motivation for the assassination hasn't been fully established and the ASG never claimed responsibility for Akbar's killing, police intelligence officials believe that militants connected with the group perpetrated the operation.

Largely due to concerns that the ASG was being leveraged to consolidate a beachhead for regional *jihadi* extremism connected to the global ambitions of al-Qaeda, the US dramatically stepped up its counterterrorism security engagement with the GRP after 9/11. Under Operation Enduring Freedom—Philippines, Washington provided funding and training to support a concerted campaign to crush the group and its support networks across Mindanao and adjoining islands. This effort has substantially degraded the ASG's operational tempo and ideological unity, which has been further diminished by an increasingly serious leadership void since 2007: Khadaffy died in September 2006 from injuries sustained in a firefight with the AFP and four months later, Abu Soliman was fatally shot by a special forces unit. The loss of these commanders has engendered growing criminalisation within the ASG's ranks, which is now arguably the group's defining trait as no viable replacement(s) with both ideological and 'military' credentials has ever emerged.

Today, the ASG is thought to number no more than 75–100 adherents. These rebels are split among roving kidnap-for-ransom bands scattered across Basilan and Jolo and are largely unable to influence anything beyond Zamboanga, much less the southern Philippines as a whole.

Jemaah Islamiyah

Jl is an Indonesian-based *jihadi* organisation with purported historical links to al-Qaeda. The movement was established as a dedicated entity in January 1993 under the combined leadership of Abdullah Sungkar and Abu Bakar Bashir.

It defined its aims in both local and regional terms. The immediate goal was the institution of full sharia law in Indonesia. This was to be the first step of a wider objective that sought the creation of a pan-Southeast Asian caliphate embracing Brunei, Malaysia, southern Thailand and the southern Philippines. At its height in 1999 and 2000, Jl was thought to have a hardcore membership of around 2,000 activists plus some 5,000 passive sympathisers.²⁹ Until 2005, the group was recognised as the most dangerous terrorist organisation in Southeast Asia, taking responsibility for some of the most lethal extremist attacks that have ever occurred in the region (Table 7). Jl's most destructive operation, the Bali bombings in October 2002, remain the most deadly *jihadi* attack since al-Qaeda's 9/11 strikes in the US.

Although Indonesia-based, Jl had a strong presence in the southern Philippines. The movement not only benefited from open access to militant camps run by the MILF, it also established robust operational and logistical ties with both the MILF and the ASG. For at least five years, the region acted as a strategic rear base for Jl where attacks were planned, munitions procured and cell members trained.³⁰

However, the threat from Jl has greatly diminished in recent times. Among other factors, this reflects the following:

- Highly effective counterterrorism drives in Indonesia, which have eliminated some of the group's most effective commanders. Compounding these losses was the defection of Jl's spiritual leader, Bashir, in 2008, who went on to establish a rival group—the Jemaah Ansharut Tauhid.³¹

Table 7: High-profile Jemaah Islamiyah attacks, 2002 to 2005

Attack	Deaths	Injuries
First Bali bombings, 12 October 2002	202	209
Bombing of JW Marriott Hotel, Jakarta, 5 August 2003	12	150
Bombing of Australian Embassy, Jakarta, 9 September 2004	11	Over 200
Bombing of <i>SuperFerry 14</i> , 27 February 2004	116	320
Second Bali bombings, 1 October 2005	25	129

- Mainstream Islamic opposition to JI (because of the large numbers of Muslims killed in its attacks), which has caused it to concentrate almost all of its activity on rebuilding local support networks.
- The MILF peace process, which has placed considerable pressure on Murad to ensure that the MILF has no association with any external extremist organisation.³²
- The decimation of the ASG, which can no longer act as a strong local terrorist partner.

There are now probably no more than a handful of JI militants in the southern Philippines—all of who are almost certainly there in an effort to avoid arrest, rather than to reignite Islamist fervour and violence.

A more assertive China

The People's Republic of China (PRC) has emerged as the pre-eminent power in the Asia-Pacific region, dominating the trade in manufactured goods and remaining a prime source of foreign direct investment for emerging, developing and mature markets, including, notably, Cambodia, Laos, Thailand, Indonesia, the Philippines and Australia. While the overall pace of Beijing's economic rise is slowing, projected growth rates for the foreseeable future remain at 7.75% per year, which is higher than for any other OECD state.

China has leveraged its wealth to steadily enhance the country's anti-access/area-denial platforms. The government has committed large amounts of money to upgrading and expanding its space and cyber C4ISR technologies in addition to constructing advanced combat aircraft, submarines, modern surface warships and land-attack and anti-ship ballistic and cruise missiles. In March 2012, the state-run China Shipbuilding Company revealed a new concept for the construction of a 120,000-ton amphibious assault vessel that

will be able to carry more than 1,000 troops and is likely to enter the People's Liberation Army (PLA) Navy in the near future.³³ All of these developments and assets—together with the explicit use of 'soft' power (diplomatic, educational, cultural and economic tools of influence)—appear to be directed at increasing the PRC's projection and reach into the Asia-Pacific, while simultaneously limiting the scope for the US to do the same.³⁴

Nowhere has this been more apparent than in the SCS—a region of 1,350,000 square miles that stretches from Singapore to the Taiwan Strait and contains more than 250 small islands, atolls, cays, shoals and reefs. Here, Beijing has adopted an increasingly forward-leaning posture to enforce its 'historical' jurisdiction over the disputed Paracel and Spratly islands, the Scarborough Shoal and the Macclesfield Bank. Overall the PRC asserts ownership over around 90% of the SCS, basing its claims on initial discovery and historical disputes that date back to the 2nd century BC. A map drawn up by the Kuomintang in 1947 also depicts nine unconnected dotted lines that cover the vast majority of the SCS, which Beijing argues provides further support to vindicate Chinese sovereignty over the region's waters and all land and submarine features within it.³⁵

The PRC has taken several steps to give concrete expression to its claims in the SCS. In 2007, the government raised the status of the administrative authority overseeing the Paracel and Spratly islands to that of a county-level metropolis in Hainan Province. Three years later, the PRC listed its claims in the SCS as among its 'core national interests' alongside Taiwan, for the first time.³⁶ Then in 2012, Beijing not only announced that the Spratlys, Paracels and Macclesfield Bank had become a Chinese area known as Sansha City (with its own governing officials), but also confirmed that it was dispatching a military garrison to guard those living on the islands.³⁷

Figure 1: China and the Philippines maritime claims in the South China Sea



This assertive stance has brought it into direct conflict with the Philippines (as well as Vietnam, Malaysia and Brunei), as the wider maritime space China claims includes areas that fall well within Manila's EEZ. The most contentious region covers the Spratlys, which lie only a few hundred kilometres from Palawan and which were formally incorporated as part of the Philippines' territory in 1978 (as the 'Kalayaan Island Group').³⁸

China–Philippines tensions, which had been steadily growing since 2007, came to a head on 2 March 2011 after Beijing threatened to ram a seismic survey ship that Manila had commissioned to search for natural gas on Reed Bank, a group of small islets in the Spratly archipelago.³⁹ Two days later, the GRP filed a protest with the PRC Embassy in Manila, demanding an explanation for the incident, and then announced a strengthening of its own garrison in the area.⁴⁰ In what was widely regarded as a dismissive and condescending response, the Chinese Government stated

that it was merely exercising its indisputable right to prevent unauthorised activity in its sovereign waters.⁴¹

The Reed Bank incident was the first in a set of high-profile clashes between Manila and Beijing. In April 2012, vessels from the two countries engaged in a five-month stand-off near Scarborough Shoal, about 140 miles west of Luzon.⁴² In February 2014, a Chinese coastguard vessel fired a water cannon on a Filipino fishing boat trawling in the region.⁴³ The following month, the PRC sent vessels to block two civilian supply boats attempting to deliver provisions to Filipino sailors stationed on a military ship that had been grounded on the Second Thomas Shoal since 1999.⁴⁴ These and other incidents (Table 8) have galvanised concerns in Manila that Beijing is preparing to use its military to resolve the SCS unilaterally, on its own terms. Protecting Philippines' claims has, as a result, emerged as a key—if not the highest—external defence priority of the GRP.⁴⁵

Table 8: Main South China Sea incidents, 2011–14

Date	Incident
March 2011	Chinese patrol vessels interfere with Philippines-contracted oil exploration vessel near Reed Bank The GRP announces a strengthening of the garrison on the Spratly Islands and the acquisition of maritime assets.
Mid-May – 31 July 2011	China announces its annual fishing ban in the South China Sea.
June 2011	PRC naval exercise around the Spratly Islands. The Philippines renames the South China Sea as the West Philippine Sea.
April–September 2012	Philippines–China confrontation at Scarborough Shoal.
Mid-May – 31 July 2012	China announces its annual fishing ban in the South China Sea
11 July 2012	A Chinese surface warship runs aground on Half Moon Shoal (also known as Hasa Hasa Shoal), part of the Spratly Islands group.
January 2013	The Philippines initiates arbitration proceedings at the International Court of Justice, contesting Chinese claims over the Second Thomas Shoal.
February 2014	Chinese coastguard vessel fires a water cannon on a Philippine fishing boat trawling waters near the Scarborough Shoal.
March 2014	Chinese vessels block two Philippines civilian ships attempting to deliver supplies to sailors on the Second Thomas Shoal. Manila submits a 4,000-page document to the International Court of Justice, detailing its arguments and evidence against China's claims to the disputed shoal.

Source: Adapted from Stockholm International Peace Research Institute (SIPRI) *Yearbook 2013*, SIPRI, Stockholm, 2013, p. 414.

There's little doubt that the improved internal security situation in the Philippines and Chinese actions in the SCS are principal factors driving the current reform and transformation process in the AFP. As one defence analyst observes: 'While the AFP have made headway in reducing communist and secessionist forces [this was] achieved at the expense of an exponentially deteriorating capability to carry out even the most basic of territorial defence operations.'⁴⁶ A candid 2010 report from the AFP makes a similar point, stressing that the focus on internal security operations has diverted the armed forces from realising externally focused modernisation projects, to the extent that:

[T]he AFP's overall capability to defend the country against external threats in maritime and air environments remains inadequate. This situation is nowhere more manifest than in the Kalayaan Island Group wherein the AFP is unable to prevent and respond to intrusion into our EEZ or show our resolve in defending areas we are claiming.⁴⁷

3 Credible deterrence and the funding challenge

President Aquino has so far kept pace with the 40-billion-peso modernisation process for the AFP, spending 33.95 billion pesos in his first 17 months in office.⁴⁸ However, the planned upgrades will almost certainly not be enough to deter Chinese assertiveness in the SCS. The PRC has

embarked on an expansion of its own armed forces through a massive A\$140 billion defence budget—the largest of any state in Asia and dwarfing that of the GRP.⁴⁹ Once complete, the build-up will significantly boost the PLA's amphibious and aerial projection capabilities, allowing it to decisively impose control over contested waters in the South (and East) China seas. As Richard Fisher from the Center for a New American Security observes, credible deterrence would require, at a minimum:

... up to four squadrons (48) of F-16s upgraded to a 4+ generation capability. These upgrades should include actively electronically scanned array (AESA) radar and advanced weapons to blunt two Chinese aircraft carriers' complement of approximately 50 expected 4+ generation J-15 carrier combat aircraft. To support this capability the PAF would also need more SAA/LIFT fighters and both ground-based and long-range radar and airborne radar to better manage combat operations. The Philippines Navy would also need more well-armed frigates and smaller corvette-size combatants and minesweepers. An affordable force of four to six mini-submarines would round-off a credible deterrent capability, and modern mini-submarines could be obtained from South Korea or Russia.⁵⁰

Procuring these advanced platforms in the numbers required would far outstrip current GRP expenditure, possibly by as much as seven times.⁵¹ This would be an enormous undertaking for a country that's sorely lacking in resources

and where 70% of the defence budget is typically consumed by salaries and allowances. Exacerbating problems are stipulations in the 1987 Constitution that prohibit the government from allocating more money to the DND than to the Department of Education. As one analyst observes:

[T]he Philippine military is not that large and was never designed or, more importantly, developed to provide for the defense of its expansive archipelagic territory. Many experts argue that billions of dollars would need to be invested to reconfigure the Philippine military into a credible defense force. However, with the closure of US bases and the resultant loss of lease revenue, the AFP must now rely on congressional appropriations and AFP modernization funds to invest in new equipment. These sources are not sufficient to carry through modernization plans.⁵²

Options for transformation

In his 2013 State of the Nation address, President Aquino announced that he wished to pursue a more aggressive policy of defence transformation to allow for enhanced force projection in the SCS. He also said that doing so would require a far greater defence budget. However, the GRP has yet to articulate a clear strategy for meeting these fiscal demands. So far, only two courses of action have been proposed, and neither is a viable solution to the cost problem.

The first option is to look at entering into strategic partnerships with other government agencies and the private sector. As noted, this is already being considered for the establishment of a modern satellite communications network.⁵³ However, such arrangements are still in their infancy and have so far been largely confined to agreements allowing the co-location of commercial telecommunication facilities in selected AFP camps and mountain-top radio relay stations. While the number of these joint ventures has grown in recent years, the payoff for the military has been more 'in kind' (information services) than in income.

The second option is to lease, rather than buy, the military equipment. This would enable the cash-starved AFP to save money on maintenance costs, while also allowing it to access more advanced platforms, such as long-range patrol aircraft, corvettes and high-calibre weapons systems.⁵⁴ Philippine legislators have been seriously weighing the feasibility

of this idea for procurements of American hardware and have even proposed leasing 4,000 ton, 29-knot Perry class guided-missile frigates that have the capacity for both close-to-shore coastal patrols and the long-range protection of the country's maritime borders and EEZ.⁵⁵ While this option may be fiscally more tenable than trying to modernise through outright purchases under such arrangements as the US Defense Department's Foreign Military Sales program, it's still almost certainly beyond the budgetary means of the GRP. Moreover, by definition, leased equipment will never be under the full control of the AFP. Its appropriateness for an institutionalised program of long-term defence reform that's fully owned by the GRP is therefore questionable.

A land-based anti-ship missile system as a cheaper alternative?

Given the Philippines' funding constraints, is there a cheaper way for the country to enforce its claims in the SCS? One alternative that's gaining currency is to reconsider current and future procurement plans for advanced aircraft and combat ship capabilities and, instead, divert resources to setting up an effective land-based system of long-range anti-ship missiles (ASMs). The idea is to have the network's components situated along the western coast, on Palawan Island (which is just 450 kilometres from even the most distant Philippine claims in the Spratlys), or both. There are several platforms that could be located in those areas that have the range to deny Beijing access to both near and distant waters in this part of the South China Sea (Table 9). According to Felix Chang of the Foreign Policy Research Institute in Philadelphia, four batteries mounted on wheeled or tracked vehicles and dispersed along Palawan's long road network would satisfy the GRP's requirement to deliver the necessary massed firepower to penetrate PRC shipboard defences.⁵⁶

A land-based ASM system would be relatively inexpensive, as even more costly projectiles, such as the Swedish-made RBS-15, come in at a unit price of around A\$4 million and there are several cheaper alternatives. In addition there would be no need to procure advanced naval or air platforms, as the missiles would be delivered from the ground. Although airborne surveillance assets would be required to provide targeting data, an MH-60 R naval helicopter could achieve this with minimal financial outlay. Chang further notes that the PAF already has experience of operating rotary-wing assets

from the same S-70 family that the HR-60 helicopter comes from, so there would be no need to create a wholly new spare parts inventory or training program to put them into service; they also have a surveillance range similar to that of an early warning aircraft, but at a quarter of the price.⁵⁷

Aside from fiscal considerations, land-based ASMs have the added advantage of being hard to identify, track and neutralise. Not only are they mobile, which means that they can be hidden behind cover, their launch pads can be easily disguised (for example, the Russian Yakhont can be fired from a delivery vehicle that can be made to look like an ordinary shipping container). Moreover, the extensive Philippines shoreline would provide many places to position the missiles, significantly reducing their vulnerability to a decapitating counterstrike.⁵⁸

Establishing an integrated network of land-based ASMs would involve a budget substantially less than the A\$169 million that's so far been allocated for defence transformation (and which is far below what's actually needed to deter China). It would also require fewer specialised personnel, equipment and facilities than a single high-performance fighter squadron, and so could be put into service far more quickly. Properly configured, a system of this sort could ensure the security of the vital Malampaya Natural Gas and Power Project and provide adequate coverage of Manila's claims in the Spratlys and possibly even the Scarborough Shoal.

Table 9: Selected anti-ship missiles capable of being launched from ground-based platforms

Designation	Country of origin	Range (km)	Guidance	Launch platform	Launch engine	Sustaining engine	Speed (mach)
BrahMos PJ-10	India/Russia	300–500	INS, GPS, active/passive radar	Air, ship, ground, submarine	SFR	Liquid-fuelled ramjet	2.8–3.0
Otomat/Teseo Mk2 Blk4	Italy	180	INS, data-link, active radar	Ship, ground	SFR	Turbojet	0.9
RGM-84 Harpoon Blk3	US	185	Active radar	Air, ship, ground, submarine	SFR	J402 turbojet	0.85
Type 88	Japan	180	INS, GPS	Ground	SFR	Turbojet	0.94
RGM-109B Tomahawk	US	450	GPS, INS	Ground, ship, submarine	SFR	WR-402 turbojet	0.5–0.75
P-800 Yakhont	Russia	120–300	Active/passive radar	Ground, ship, submarine	SFR	Liquid-fuelled ramjet	2.5
RBS-15 Mk3	Sweden	200	INS, radio, altimeter, active radar	Ship, air, ground	SFR	TR60-5 turbojet	0.9
Exocet MM40 Blk3	France	180	INS, GPS	Ship, air, ground, submarine	SFR	TRI 40 turbojet	0.92
Hsiung Feng II	Taiwan	160	INS, active radar with infrared seeker	Ship, ground	SFR	Turbojet	0.85
Naval Strike Missile	Norway	185	INS, active radar, GPS	Ship, ground	SFR	TRI 40 turbojet	0.88

INS = inertial navigation system; IIR = imaging infrared; GPS = global positioning system; SFR = solid fuel rocket.

Source: Adapted from Terrence Kelly, Anthony Adler, Todd Nichols, Lloyd Thrall, *Employing land-based anti-ship missiles in the Western Pacific*, RAND, Santa Monica, 2013, p. 22.

4 The defence transformation and the US alliance

The Philippines and the US have a long history of bilateral relations and common strategic purposes that date back to joint anti-Japanese operations during World War II. In 1951, the two countries signed the Mutual Defense Treaty, committing each side to come to the other's support in the event of an external attack. During the Cold War, the treaty provided a legal context for sanctioning the establishment of permanent American defence posts in the Philippines— notably Clark Air Base just outside Manila and the Subic Bay Naval Station. While the bases generated domestic opposition that eventually forced their closure in 1991, security ties between the US and the Philippines remained strong and gained extra momentum after 9/11. As noted, fears that Southeast Asian militants were seeking to establish a regional beachhead for Islamist extremism in Mindanao and its surrounding islands spurred a massive influx of counterterrorism assistance and training (provided under Operation Enduring Freedom—Philippines⁵⁹); in addition it prompted President GW Bush to elevate the status of the GRP to that of a major non-NATO ally in 2003.⁶⁰

Although the terrorist threat has ameliorated, it's been replaced by a growing concern over the PRC's economic

and military growth, which has galvanised Washington into reaffirming ties with its Asian partners, particularly the GRP. This was made clear in June 2011, when Ambassador Harry Thomas announced that 'The Philippines and the US are longstanding treaty allies. We are strategic partners. We will continue to consult each other closely on the South China Sea, Spratly Islands and other issues.'⁶¹ Five months later, US Secretary of State Hillary Clinton and the Philippines Foreign Secretary underscored the continuing relevance of the Mutual Defense Treaty by issuing the Manila Declaration, which states that the two countries:

... reaffirm our shared obligations under the Mutual Defense Treaty. We expect to maintain a robust, balanced and responsive security partnership including cooperating to enhance the defense, interdiction and apprehension capabilities of the Philippines.⁶²

Clinton further declared that her government was fully prepared to help the GRP enhance its coastal and offshore capabilities and other aspects of expeditionary power.⁶³ That commitment was given concrete expression a year later when Washington announced that the Philippines would receive US\$40 million in Global Security and Contingency Fund money in a new bilateral assistance program to enhance maritime domain awareness in the SCS and surrounding areas.⁶⁴



Filipino and US Marines manoeuvre during a mock 'beach assault' scenario as part of the US–Philippines joint military exercise in San Antonio town, Zambales province, Northwest of Manila, Central Philippines, 9 May 2014. © DENNIS M. SABANGAN/epa/Corbis

The most recent development in the reinvigorated American–Filipino security alliance occurred on 28 April 2014 with the conclusion of the Agreement on Enhanced Defense Cooperation. Among other things, the 10-year accord permits US troops to access and use designated military facilities at the invitation of the GRP (although only on a rotational basis) for the dual purposes of promoting interoperability and force modernisation in the AFP.⁶⁵ The Obama administration has stressed that the agreement isn't aimed at China and is primarily designed to support more effective and coordinated humanitarian assistance and disaster relief missions. While that may be true, clauses in the agreement specifically cover augmenting the Philippines' maritime domain awareness *and* external defence.⁶⁶ This strongly suggests that at least part of the document's rationale is to underwrite Manila's claims in the Spratlys and surrounding areas.

Certainly, the US has good reason to back the GRP in its stand-off with China, as this would help to ensure that the PRC isn't allowed to assume uncontested sovereignty over the SCS. Indeed, maintaining freedom of navigation in the wider region is now arguably one of Washington's most pressing economic, social and political concerns in Southeast Asia, as these waters provide 10% of the global fish catch, carry around A\$5.3 trillion in annual ship-borne trade and are believed to include sizeable oil and natural gas reserves.⁶⁷ Philippine defence transformation—in the sense that it stymies Beijing's assumed intentions in the SCS—is thus viewed in a positive light. That said, it's not apparent that Washington is willing to fund the process without significant financial input from Manila. That was certainly the case with past financial assistance for PDR, where allocations amounted to only around 10% of the total budgeted amount.⁶⁸ Foreign military funding for the Philippines in FY2014—US\$50 million⁶⁹—suggests that there's been no major shift in this calculus.

The Obama administration is also acutely aware of the need to avoid any direct policies that would further stress what's already a strained relationship with China. Directly assisting the Philippines to acquire modern attack aircraft and combat or patrol vessels in the numbers required to offset the PRC's growing military power would undoubtedly inflame tensions with Beijing, which has already expressed vocal concerns over an apparent American policy of strategic encirclement in the Asia–Pacific.

Working with the Aquino administration to set up a mobile coastal *defence* system would be more financially viable and arguably less contentious, as it would not involve support for the establishment of an outward forward strike capability. It would also provide the Philippines with the necessary means to independently deter Chinese adventurism in the SCS, and hence preclude the need to renegotiate controversial basing agreements that ended in 1992. To that end, the US could make it easier for the GRP to acquire anti-ship ordinance and surveillance/detection platforms and encourage other allies, such as Japan and South Korea, to do the same. Helping to establish a capable and self-reliant partner in the Philippines that's better positioned to independently resist Chinese pressure would have positive benefits for regional security. It would also reinforce and focus Washington's strategic intent to pivot towards Asia, while avoiding force postures that could provoke the PRC to take unilateral military action of the sort that could threaten US and allied interests or quickly escalate out of control.

5 Implications for Australia

Moves by the Philippines to enhance the country's force posture in the SCS also have implications for Australia. Currently, the GRP is the second-largest recipient of law enforcement aid from Canberra, the bulk of which has been directed to boosting the professionalism and effectiveness of the PNP. Now that the GRP has changed its focus to external defence, it could be argued that Australia should realign its assistance to make it consistent with Manila's altered priorities. However, apart from being expensive, such a course of action would be unwise for at least two reasons.

First, in many ways the PNP remains a relatively weak entity. A constable in the Philippines makes between 13,000 and 15,000 pesos (A\$303–350) a month, and until 2013 was responsible for purchasing his or her own firearm. This low rate of pay continues to encourage corruption, fostering a culture of opportunist adventurism that affects the force's senior and junior ranks alike. Officers also have poor forensic investigative skills and as a result tend to rely on human sources and confessions when preparing charges against suspects. Because that evidence is often extracted under questionable circumstances (defendants often claim that they were forced to sign statements under duress), it rarely leads to convictions. Additional problems include a poor grasp of the fundamentals of community

policing, intelligence stovepiping, inadequate intra-agency coordination and cooperation, and a lack of discipline in preserving the sanctity of crime scenes.⁷⁰ The Australian Federal Police is well placed to address these issues. It has instituted several capacity-building and training programs over the past 10 years, and these should be continued until they make a decisive impact on the PNP's overall proficiency. Prematurely terminating ongoing initiatives would not only be a significant waste of resources, it could also lead to a domestic enforcement void that once again allows internal threat actors to assume prominence.

Second, realigning the direction of its aid could jeopardise Australia's highly beneficial economic relationship with China. Around 74% of the PRC's total mineral imports now come from Australia, including 45% of its coal and iron ore. Earnings from those commodities were the base for the Australian mining boom and are generally regarded as the main factor allowing the country to emerge from the global financial crisis relatively unscathed.⁷¹ At the same time, Australia has benefited from cheap Chinese imports, particularly of clothing, computers, telecommunications equipment/parts, toys and games.⁷² These low-cost manufactured goods have contributed to a highly competitive domestic retail market that has further

buttressed economic growth. Overall two-way trade has increased at an annual average rate of 27% a year and currently stands at nearly A\$130 billion per year.⁷³

Although economic links are robust, the political relationship between Australia and the PRC is not particularly strong, largely due to Canberra's close security ties with the US and past government allusions to a 'China threat.' Beijing balked vociferously at the Australian 2009 Defence White Paper (DWP), which specifically referenced the PRC's military rise as a potential cause of concern for the Asia-Pacific.⁷⁴ While not as direct, the 2013 DWP made similar suggestions, this time in the context of the SCS and cyber-espionage.⁷⁵

Adopting an explicit posture of military support for Manila's claims in the Spratlys and wider (self-defined) West Philippine Sea would significantly complicate diplomatic ties by reinforcing a perception in Beijing that the Australian Government is fully committed to working with Washington in strategically containing China in the Asia-Pacific. At best, this could complicate the consolidation of future economic and trade agreements; at worst, it could encourage China to search for new (non-Australian) sources of energy resources and alternative markets for its exports.



Australian soldiers (C) salute with military troops from the Philippines and United States during the ceremonial opening rites of the Philippines-US War Exercise inside a military camp in Quezon City, east of Manila, Philippines, 5 May 2014. © DENNIS M. SABANGAN/epa/Corbis

Further reading

Chang, Felix 2012. *Transforming the Philippines' defense architecture*, Asia Program, Foreign Policy Research Institute, Philadelphia.

De Castro, Renato Cruz 2012. 'The Aquino administration's 2011 decision to shift Philippine defense policy from internal security to territorial defense: the impact of the South China Sea dispute', *Korean Journal of Defense Analysis*, 24(1).

Department of National Defense 2012. *Transforming the Department of National Defense to effectively meet the defense and security challenges of the 21st century: a white paper on Philippine defense transformation*, Camp Aguinaldo, Quezon City.

Glase, Bonnie 2011. 'Tensions flare in the South China Sea', draft paper for the Center for Strategic and International Studies Southeast Asia Program, 30 June, http://csis.org/files/publication/110629_Glaser_South_China_Sea.pdf.

Jacobson, Richard 2013. 'Modernizing the Philippine military', *The Diplomat*, 22 August, <http://thediplomat.com/2013/08/modernizing-the-philippine-military/>.

Kelly, Terrence, Anthony Adler, Todd Nichols, Lloyd Thrall 2013. *Employing land-based anti-ship missiles in the Western Pacific*, RAND, Santa Monica.

Kurlantzick, Joshua 2012. *South China Sea: from bad to worse?* Council on Foreign Relations, Washington DC, 24 July.

Office of Plans and Programs 2007. *AFP's capability assessment*. Camp Aguinaldo, National Defense College of the Philippines, Quezon City.

Office of the Deputy Chief-of-Staff for Plans 2010. *DND-AFP thrust for capability upgrade: the AFP Long-Term Capability Development Plan*, Camp Aguinaldo, Quezon City.

Shore-based anti-ship missiles for the Philippine Army, Rhk111's Military and Arms Page, www.rhk111smilitaryandarmspage.com/shore-based-anti-ship-missiles-for-the-philippine-army/.

Villamin, Kathleen Mae 2009. 'Defending Philippine territorial integrity in the twenty-first century', *Digest: A Forum for Security and Defense Issues*.

Notes

1. See Department of National Defense (DND), *Transforming the Department of National Defense to effectively meet the defense and security challenges of the 21st century: a white paper on Philippine defense transformation*, Camp Aguinaldo, Quezon City, July 2012, 1.
2. Renato Cruz De Castro, 'The Aquino Administration's 2011 decision to shift Philippine defense policy from internal security to territorial defense: the impact of the South China Sea Dispute', *The Korean Journal of Defense Analysis*, 24(1), 2012, 74.
3. Author interviews, Philippine Air Force (PAF), Manila, September 2009.
4. Author interviews, PAF and National Security Council (NSC), Manila, September 2009.
5. Author interviews, Armed Forces of the Philippines (AFP) and NSC, Manila, January 2008. For more on the threats stemming from the NPA, MILF/Moro National Liberation Front, al-Qaeda, JI and ASG, see Peter Chalk, Angel Rabasa, William Rosenau, Leanne Piggott, *The evolving terrorist threat to Southeast Asia: a net assessment*, RAND, Santa Monica, Chapter 3.
6. Author interviews, PAF, September 2009.
7. De Castro, 'The Aquino Administration's 2011 decision', 74.
8. Felix Chang, *Transforming the Philippines' defense architecture*, Asia Program, Foreign Policy Research Institute, Philadelphia, May 2012, 9; Richard Fisher, 'Defending the Philippines: military modernization and the challenges ahead', *East and South China Seas Bulletin*, Center for a New American Security, Washington DC, 3 May 2012, 3; Republic Act (RA) 7898, Section 2: Declaration of Policy; 'Toward a self-reliant defense force: a look into the AFP Modernization Law', *NDCP Policy Brief* 6, 17 May 2013, 2, www.ndcp.edu.ph/publications/6%20GAUD%20Towards%20a%20Self%20Reliant%20Defense%20Force.pdf.
9. De Castro, 'The Aquino Administration's 2011 decision', 70–72.
10. 'Toward a self-reliant defense force', 2.

11. AFP, *Armed Forces of the Philippines Internal Peace and Security Plan*, Camp Aguinaldo, Quezon City, 2010, 13.
12. NSC, *National Security Policy 2011–2016*, NSC, Quezon City, 2011, 39.
13. William Depasupil, 'Armed forces to spend P41b to upgrade naval, aerial defense', *Tribune Business News*, 29 June 2011.
14. De Castro, 'The Aquino Administration's 2011 decision', 81. See also Joel Atencio, 'New AFP chief vows to focus on territorial defense, MILF peace talks', *Philippine News Agency*, 31 December 2011, <http://positivenewsmedia.com/blog/2011/12/new-afp-chief-vows-to-focus-on-territorial-defense-milf-peace-talks/>.
15. Overview of Malampaya', http://malampaya.com/?page_id=2.
16. DND, *Transforming the Department of National Defense*, 10–12.
17. Office of the Deputy-Chief-of-Staff for Plans (J5), *DND–AFP thrust for capability upgrade: the AFP Long-Term Capability Development Plan*, Camp Aguinaldo, Quezon City, 2010, 8.
18. Richard Jacobson, 'Modernizing the Philippine Military', *The Diplomat*, 22 August 2013, <http://thediplomat.com/2013/08/modernizing-the-philippine-military/>; Chang, *Transforming the Philippines' defense architecture*, 9; Fisher, 'Defending the Philippines', 3; Depasupil, 'Armed forces to spend P41b'.
19. Author interviews, AFP officials, Manila, January 2008. See also Office of the Presidential Advisor on the Peace Process, 'CPP–NPA–NDF', Republic of the Philippines, 2007.
20. Author interviews, AFP and NSC officials, Manila, January 2008.
21. By contrast, counterterrorism and counter-separatism accounted for 15% of the NISP's resources, with counter-destabilisation taking up the remaining 10%.
22. AFP briefing to author, Manila, January 2008.
23. Author interviews, AFP officials, Manila and Zamboanga, January 2010. See also Francis Domingo, 'The leadership struggle in the Communist Party of the Philippines – New People's Army', *Small Wars Journal*, February 2013.
24. See Chalk et al., *The evolving terrorist threat to Southeast Asia*, 34–35; and Peter Chalk, 'The Davao Consensus: a panacea for the Muslim insurgency in Mindanao?' *Terrorism and Political Violence*, 1997, 9(2):79–98. The MILF broke with the MNLF on account of the latter's more nationalist (as opposed to religious) focus and willingness to settle for autonomy (rather than full independence).
25. Author interviews, AFP officials, Cotobato City and Manila, January 2008.
26. Chalk et al., *The evolving terrorist threat in Southeast Asia*, 38–39.
27. 'Philippines signs landmark deal to end Muslim uprising', *BBC News*, 27 March 2014, www.bbc.com/news/world-asia-26766215. See also Floyd Whaley, 'Accord raises hope for end to Mindanao strife', *The International Herald Tribune*, 27 January 2014; and International Crisis Group (ICG), *The Philippines: breakthrough in Mindanao*, ICG Asia Report no. 240, ICG, Jakarta/Brussels, December 2012.
28. Peter Chalk, 'The Bangsamoro Islamic Freedom Fighters (BIFF): the newest obstacles to peace in the Southern Philippines?' *CTC Sentinel*, 26 November 2013.
29. Chalk et al., *The evolving terrorist threat to Southeast Asia*, 89–90; ICG, *Indonesia: Jemaah Islamiyah's current status*, Asia Briefing no. 63, ICG, Jakarta/Brussels, May 2007, 13.
30. For more on the JI–Philippine connection, see ICG, *Southern Philippines background: terrorism and the peace process*, Asia Report no. 80, ICG, Singapore/Brussels, July 2004, Chapter V; and Zachary Abuza, 'State of Jemaah Islamiyah: terrorism and insurgency in Southeast Asia five years after Bali', *Jebsen Center for Counter-Terrorism Studies: Research Briefing Series 2*, November 2007.
31. ICG, *Indonesia: the dark side of Jama'ah Anharut Tauhid (JAT)*, Asia Briefing no. 107, ICG, Jakarta/Brussels, July 2010.
32. It should also be noted that much of the MILF–JI connection was forged under the hardline leadership of Salamat; Murad has never articulated the same type of regionally focused Islamist agenda as his predecessor.
33. Fisher, 'Defending the Philippines', 5.

34. Carlye Thayer, 'Strategic relations in Asia: an overview', paper presented before the 4th East Asia Security Outlook in 2012 Seminar, Brunei, 2 February 2012, 6–9. See also *US force posture strategy in the Asia Pacific region: an independent assessment*, Center for Strategic and International Studies, Washington DC, 2012, 40.
35. Bonnie Glaser, 'Tensions flare in the South China Sea', draft paper for the Center for Strategic and International Studies Southeast Asia Program, 30 June 2011, 3, http://csis.org/files/publication/110629_Glaser_South_China_Sea.pdf.
36. Chang, *Transforming the Philippines' defense architecture*, 4.
37. Joshua Kurlantzick, *South China Sea: from bad to worse?* Council on Foreign Relations, Washington DC, 24 July 2012); Jane Perlez, 'China to put soldiers on islands in dispute', *New York Times*, 24 July 2012; and Jane Perlez, 'Report sees rising risk of fighting over Asia sea', *New York Times*, 25 July 2012.
38. 'Presidential Decree No. 1596—Declaring Certain Areas Part of the Philippine Territory and Providing for Their Government and Administration', Chan Robles Law Library, 11 June 1978, www.chanrobles.com/presidentialdecreeno1596.html.
39. Initial findings from the seismic survey suggested that nearly 3.4 trillion cubic feet of natural gas could lie below Reed Bank.
40. Glaser, 'Tensions flare in the South China Sea', 3; Ian Storey, 'China and the Philippines: implications of the Reed Bank incident', *China Brief*, 6 May 2011, 11(8).
41. De Castro, 'The Aquino Administration's 2011 decision', 79.
42. Jane Perlez, 'Philippines and China ease tensions in rift at sea', *New York Times*, 18 June 2012; James Hookway, 'Philippines, China advance in easing spat', *Wall Street Journal*, 13 April 2012.
43. 'Philippines protests over South China Sea water cannon incident', *Reuters*, 25 February 2014.
44. 'Philippines lodges protest over China Ship blockade', *BBC News*, 11 March 2014, www.bbc.com/news/world-asia-26524388.
45. Chang, *Transforming the Philippines' defense architecture*, 10.
46. Kathleen Mae Villamin, 'Defending Philippine territorial integrity in the twenty-first century', *Digest: A Forum for Security and Defense Issues*, 2009, 8.
47. Office of Plans and Programs, *AFP's capability assessment*, Camp Aguinaldo, National Defense College of the Philippines, Quezon City, September 2007, 23.
48. 'Philippines spends US\$387 million on armed forces upgrade', *BBC News*, 6 January 2012, <http://search.proquest.com/news/docview/916135970/fulltext/1348>.
49. 'China's disturbing defense budget', editorial, *New York Times*, 9 March 2014, www.nytimes.com/2014/03/10/opinion/chinas-disturbing-defense-budget.html?_r=0.
50. Fisher, 'Defending the Philippines', 6.
51. The original Capability Upgrade Program required a total of 332 billion pesos (A\$7.9 billion) to fully realise envisioned capabilities for naval, air, ground and joint C3 systems. See DND, *Transforming the Department of National Defense*, 7.
52. Jacobson, 'Modernizing the Philippine military'.
53. DND, *Transforming the Department of National Defense*, 40.
54. 'Philippines hopes to secure affordable military equipment from US', *BBC News*, 7 July 2011, <http://proquest.umi.com/pqdweb?index=1&did=2392828431&Srch>.
55. De Castro, 'The Aquino administrations' 2011 decision', 82.
56. Chang, *Transforming the Philippines' defense architecture*, 11.
57. Chang, *Transforming the Philippines' defense architecture*, 13.
58. 'Shore-based anti-ship missiles for the Philippine Army', rhk111's Military and Arms Page, <http://rhk111smilitaryandarmspage.wordpress.com/2013/12/31/shore-based-anti-ship-missiles-for-the-philippine-army/>.

59. For more on Operation Enduring Freedom—Philippines, see Molly Dunigan, Dick Hoffman, Peter Chalk, Paul DeLuca, *Characterizing and exploring the implications of maritime irregular warfare*, RAND, Santa Monica, 2012.
60. ‘Bush “upgrades” Philippines’, *CNN*, 20 May 2003.
61. Greg Torode, ‘US under pressure over sea dispute: Washington has stopped short of specifics on its position under a defense pact with Manila on recent incursion in South China Sea’, *South China Morning Post*, 17 June 2011.
62. ‘Signing of the Manila Declaration on Board the USS Fitzgerald in Manila Bay, Manila, Philippines’, media note, Office of the Spokesperson, Department of State, 16 November 2011.
63. Sheldon Simon, ‘US–Southeast Asia relations: rebalancing’, *Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations*, January 2012, http://csis.org/files/publication/1103qus_seasia.pdf.
64. ‘Arms control and international security: maritime security, seapower and trade’, remarks by Tom Kelly, Acting Assistant Secretary, Bureau of Political–Military Affairs, US Naval War College, Newport, Rhode Island, 25 March 2014, www.state.gov/t/pm/rls/rm/2014/223921.htm.
65. See, for instance, Larry Downing, Obama in Asia: Washington extracts rent-free basing from the Philippines’, *Reuters*, 30 April 2014.
66. ‘Document: Enhanced Defense Cooperation Agreement’, *Official Gazette*, Government of the Philippines, Manila, 29 April 2014).
67. Glaser, ‘Tensions flare in the South China Sea’, 1; ‘The South China Sea is an important world energy trade route’, *Today in Energy*, www.eia.gov/todayinenergy/detail.cfm?id=10671.
68. Author interviews, PAF, September 2009.
69. Figure cited in ‘In the know: PH-US ties’, *Philippine Daily Inquirer*, 28 April 2014.
70. Author interviews, Manila, January 2010.
71. Ding Dou, remarks made before the Australia–China Economic Relations Seminar, Australian Centre on China in the World, ANU, 22 July 2013. In a 2012 Lowy Institute poll, 70% of the respondents credited the ‘demand for Australian resources from China’ as a ‘major reason’ why the country managed to avoid a recession. See Alex Oliver, *Australia and the world: public opinion and foreign policy*, Lowy Institute for International Policy, Sydney, June 2013, 6.
72. See, for instance, *Australia and China: a joint report on the bilateral relationship* (Canberra: Australia Centre on China in the World, ANU, Canberra, 2012, 16).
73. Scott Dewar, *Australia and China and the United States*, Australian Centre on China in the World, ANU, 4 November 2011), 6; ‘China country study’, *Australia in the Asian century: towards 2025*, Department of Foreign Affairs and Trade, Canberra, 2013, 2.
74. *Defence White Paper 2009*, Department of Defence, Canberra, 2009, 34.
75. Interview, China specialist, Lowy Institute, Sydney, July 2013. See also *Defence White Paper 2013*, Department of Defence, Canberra, 2013, 11, 20–21.

Acronyms and abbreviations

AFP	Armed Forces of the Philippines
ASG	Abu Sayyaf Group
ASM	anti-ship missile
BJE	Bangsamoro Judicial Entity
C4ISR	command, control, communication, intelligence, surveillance, reconnaissance
COIN	counterinsurgency
CPP	Communist Party of the Philippines
CT	counterterrorism
CUP	Capability Upgrade Program
DND	Department of National Defense
DWP	Defence White Paper
EEZ	exclusive economic zone
GRP	Government of the Republic of the Philippines
IPSP	Internal Peace and Security Plan
JI	Jemaah Islamiyah
MILF	Moro Islamic Liberation Front

MNLF	Moro National Liberation Front
NATO	North Atlantic Treaty Organization
NDF	National Democratic Front
NISP	National Internal Security Plan
NPA	New People's Party
OECD	Organisation for Economic Co-operation and Development
PAF	Philippines Air Force
PDR	Philippine Defence Reform
PLA	People's Liberation Army
PNP	Philippines National Police
PRC	People's Republic of China
SCS	South China Sea

About the author

Peter Chalk is a senior political scientist at the RAND Corporation. He has analysed such topics as unconventional security threats in Southeast and South Asia; new strategic challenges for the US Air Force in Latin America, Africa, and South Asia; evolving trends in national and international terrorism; Australian defence and foreign policy; international organised crime; the transnational spread of disease; and US military links in the Asia–Pacific region. He is a correspondent for *Jane's Intelligence Review* and associate editor of *Studies in Conflict and Terrorism*, one of the foremost journals in the international security field. Chalk has regularly testified before the US Senate on issues pertaining to national and international terrorism and is author of numerous publications on various aspects of low-intensity conflict in the contemporary world. Chalk is also an adjunct professor at the Postgraduate Naval School in Monterey, California, and contractor for the Asia Pacific Center for Security Studies in Honolulu, Hawaii, and the United States Institute of Peace in Washington, D.C. Before coming to RAND, Chalk was an assistant professor of politics at the University of Queensland, Brisbane, and a postdoctoral fellow in the Strategic and Defense Studies Centre of the Australian National University, Canberra. Chalk earned his Ph.D. in political science at the University of British Columbia.

Important disclaimer

This publication is designed to provide accurate and authoritative information in relation to the subject matter covered. It is provided with the understanding that the publisher is not engaged in rendering any form of professional or other advice or services. No person should rely on the contents of this publication without first obtaining advice from a qualified professional person.

About Special Reports

Generally written by ASPI experts, Special Reports are intended to deepen understanding on critical questions facing key strategic decision-makers and, where appropriate, provide policy recommendations. In some instances, material of a more technical nature may appear in this series, where it adds to the understanding of the issue at hand. Special Reports reflect the personal views of the author(s), and do not in any way express or reflect the views of the Australian Government or represent the formal position of ASPI on any particular issue.

ASPI

Tel +61 2 6270 5100

Fax + 61 2 6273 9566

Email enquiries@aspi.org.au

Web www.aspi.org.au

© The Australian Strategic Policy Institute Limited 2014

This publication is subject to copyright. Except as permitted under the *Copyright Act 1968*, no part of it may in any form or by any means (electronic, mechanical, microcopying, photocopying, recording or otherwise) be reproduced, stored in a retrieval system or transmitted without prior written permission. Enquiries should be addressed to the publishers.

Notwithstanding the above, Educational Institutions (including Schools, Independent Colleges, Universities, and TAFEs) are granted permission to make copies of copyrighted works strictly for educational purposes without explicit permission from ASPI and free of charge.

RRP \$5.00

ISSN 2200-6648

TELL A FRIEND ABOUT ASPI

Join Australia's liveliest minds writing today on defence and strategic issues.

Each year the Australian Strategic Policy Institute (ASPI) will produce up to six issues of **Strategy** and a number of other publications on issues of critical importance to Australia and the Asia-Pacific.

Thoughtful, ground-breaking and often controversial, ASPI leads the public debate on defence and security issues.

JOIN ASPI

Name _____

Position _____

Company/Organisation _____

Address _____

City _____

State _____

Postcode _____

Country _____

Telephone _____

Email _____

SELECT 3 FREE PUBLICATIONS

- A versatile force: the future of Australia's special operations capability
- Moving beyond ambitions? Indonesia's military modernisation
- Facing the dragon: China policy in a new era
- Planning the unthinkable war: 'AirSea Battle' and its implications for Australia
- Agenda for change: strategic choices for the next government
- Terms of engagement: Australia's regional defence diplomacy

INDIVIDUAL 1 year \$199

STUDENT* 1 year \$99

CORPORATE 1 year \$649

* (STUDENT ID _____)

To join

- 1) Subscribe online www.aspi.org.au
- 2) Mail to Level 2, 40 Macquarie St, Barton ACT 2600, or
- 3) Phone (02) 6270 5100 or fax (02) 6273 9566

Cheque Money Order Visa MasterCard AMEX Diners

Payable to Australian Strategic Policy Institute ABN 77 097 369 045

Name on card _____

Card no. _____

Expiry Date / _____

Total Amount \$ _____

Signature _____

This will be a TAX INVOICE for GST purposes when fully completed and payment is made.

Please note specialist publications are not included.

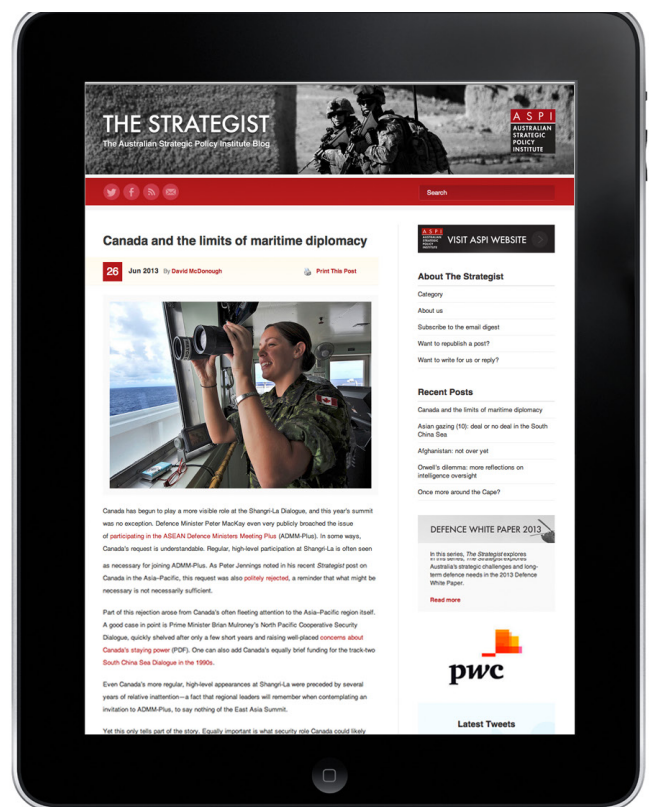
WHAT'S YOUR STRATEGY?



Stay informed via the field's leading think tank, the Australian Strategic Policy Institute.

BLOG

ASPI's blog, **The Strategist**, delivers fresh ideas on Australia's defence and strategic policy choices as well as encouraging discussion and debate among interested stakeholders in the online strategy community. Visit and subscribe to an email digest at www.aspistrategist.org.au. You can follow on Twitter (@ASPI_org) and like us on Facebook (www.facebook.com/ASPI.org).



ASPI

AUSTRALIAN
STRATEGIC
POLICY
INSTITUTE

To find out more about ASPI and membership go to www.aspi.org.au or contact us on 02 6270 5100 and enquiries@aspi.org.au.