

## THE PHILIPPINE LONG-TERM EXTERNAL ENVIRONMENT

*Serafin D. Talisayon*

An important decision the Philippine government has to make is whether to allow continuing use by the U.S. government of military facilities in the country beyond 1991. This decision is subsumed by the larger decision of how the Philippine government can achieve an independent foreign policy.

The Constitution mandates an independent foreign policy. Section II, Article 7 of the Constitution<sup>1</sup> marks an official and also a psychological milestone in Philippine foreign policy. It formalized an emerging sentiment among the Filipino elite, as represented in the Constitutional Commission, that the relationship between the Philippines and the United States must take new and more desirable directions. It was later sealed and approved by the Filipino people through the 1987 plebiscite. The Constitutional mandate was 'handwriting on the wall' spelling the beginning of the end, from the Philippine side, of that perceived "special relationship" between the two countries. Although it will take time to translate an official sentiment or aspiration into a reality, the "American century" in Philippine history is at last coming to a close.

Earlier at the regional level, another watershed enactment took place on February 24, 1976. The Philippines, in signing the Declaration of ASEAN Concord, bound itself with other ASEAN member countries to the regional goal of a zone of peace, freedom and neutrality (ZOPFAN).<sup>2</sup>

The realization of these goals and sentiments, and the decisions currently being made or contemplated by the Philippine leadership in that direction, will be tempered by events and shaped pragmatically by their anticipations of future developments in the region. The quality of these decisions will depend on correct readings of external threats and events as they unfold. It will also depend on clear analysis and estimation of possible future developments of these threats.

The purpose of this paper is to contribute towards this end.

The U.S. military facilities were established at a time when Philippine and American perceptions of security threats completely coincided. This is no longer true. The United States needs the military facilities more than the Philippines, which now looks at them more as a rationale for economic aid and rental than as protection against external threat.

The issue of renewal or termination of the military bases agreement depends, among others, on an assessment of the short and long-term security threats from outside. This paper also contributes towards this assessment.

## I. THE AMERICAN CONSTRAINT

In this century, the spheres of interest of four world powers—the United States, the Soviet Union, China, and Japan—intersect in the western Pacific region. This reality will continue to prevail in the next century. All Pacific wars in this century involved at least two of these powers.

In this context, the tight linkage—military, economic, and cultural—with the United States is the biggest obstacle to the realization of an independent foreign policy. The lack of independence stems from the onerous nature of this asymmetric bilateral relationship with a superpower and from the constraints it imposes on national decision-making.

The American colonial experience gave Filipinos democratic values and institutions which they will most likely permanently cherish. Filipino behavior before and during the February 1986 Revolution is a strong indicator. At the same time, it left baggages which Filipinos continue to carry for nearly half a century after they gained political independence.

Dependence on the American market, presence of U.S. military facilities, and bias for American goods are colonial baggages shouldered by Filipinos. Decisions Filipinos made when they were still thoroughly dependent on America—the Parity Amendment, the lopsided Bell Trade Act, and the Military Bases Agreement—continue to exert their lingering effects. A visit to Washington, D.C. has been a normal chore of Philippine presidents. American foreign policy and official actuations towards the Philippines have further accentuated the problems. The involvement of U.S. F-5 aircraft from Clark Air Base against the December 1989 attempted coup is

an indication of the continuing dependence of the Philippine government on Mother America.

The Constitutional mandate reflects the desire to alter this condition. It was obviously formulated with the continuing onerous nature of the bilateral relationship with the United States in mind.

## II. FUTURE AMERICAN ROLE IN THE WESTERN PACIFIC

For two hundred years, the centers of gravity of population, economic activity, trade, and geopolitical interest of the United States have been shifting westward. American historical roots were European but it appears inexorable that the economic future of America will shift toward the promising Pacific Basin. Hawaii and the Pacific coastal states have become most dynamic melting pots. Trade emphasis has shifted to the Pacific. More and more of the US GNP is being produced in the west. California is now in the forefront of innovations in many spheres: high technology, lifestyles, and even psychic groups and religions.

American military priorities are lagging behind economic realities. NATO still figures high in her security calculations, but her sources of economic strengths and geographic directions of comparative advantage have shifted elsewhere—towards the Pacific. Europe and Japan are more dependent on oil from the Arabian Gulf, while the United States is more dependent on sources from the Gulf of Mexico (including Texas) and the Caribbean. Yet, the pattern of its military deployment and expenditure does not reflect this. While it has become the world's biggest debtor nation, and Japan has become the world's biggest creditor nation, their shares in military expenditure in the Pacific are still disproportionate.

A mismatch between economic realities and the breadth and geographic distribution of America's imperial and military reach is becoming obvious. Sooner or later that mismatch will have to be reduced. Economic problems confront the US: negative trade balance with Japan, increasing government deficit and debt, large debt of the consumer sector, and a weakening dollar. Economics will play an increasing role in the redefinition of US security and defense strategies.

Her security concern as a superpower will remain global but economic and fiscal constraints will alter her imperial overreach. A more united, strong and confident western Europe; an eastern Eu-

rope engrossed in domestic reforms and political experimentation; instabilities in Central America; and pressures against continuation of the U.S. southern European bases will also contribute to the shift in her military attention to the Pacific.

Even if American military presence in the Philippines eventually declines, the same cannot be said of her presence in the Marianas, Carolina, and Marshall Islands whose economic dependence on the United States, with or without political independence, has become nearly total. Her self-perception of being "an Asian and Pacific power" will probably grow stronger. The Pacific Command, and particularly the Seventh Fleet, will very likely enjoy continuing budget priority.

Many American, and also Japanese, Australian, and Korean investors believe that the Pacific is the growth area in the next century, the "Pacific Century." This perception has been shaping the pattern of American investments and trade. The United States and Japan, plus the Asian NIEs (or newly-industrializing economies: Singapore, Korea, Taiwan, and perhaps Hongkong), will continue to be the main engines of economic growth in the region. The concern of American managers over lagging growth in productivity, and their interest in Japanese models of management, arise from their fear of losing technological edge to Japan. The NIEs, too, are moving into high-technology, high information content industries. A highly competitive but progressive trade setting in the Pacific is emerging wherein the United States will play a leading, but probably no longer its dominant 20th century, economic role.

The "pax Americana" in the western Pacific would continue for some time, but will be challenged economically and perhaps politically by Japan.

### III. JAPAN: CREEPING VIRTUAL RE-MILITARIZATION OF A NEIGHBOR

Japanese economic interests have grown faster than her security concerns and military capabilities. The Japanese GNP is about half of the U.S. GNP but her military expenditure is less than one-tenth of the U.S. Will Japan's military might soon match her economic power? Heretofore, the U.S. defense and especially nuclear umbrella has filled the gap. The U.S. has been, in effect, subsidizing Japanese defense.

The U.S. government has been pressuring Japan to share more of the economic burden of defending Japan. Under ex-Prime Minister Nakasone, Japanese defense spending surpassed the psychological mark of one percent GNP. While Japan remains under the U.S. protective nuclear defense umbrella, this U.S. policy is encouraging Japan to build strength in conventional warfare in ways that give American defense planners reason to entertain second thoughts about their policy. This ambiguity in American defense policy towards Japan will grow because the disparity between the US military burden and Japan's economic strength will also grow.

The aborted decision of Japan to build her own FSX support fighter for export as well as home use in the mid-1990s is another manifestation of a school of thought that bears watching. This policy thinking would like to push Japan into those critical industrial sectors with immediate military application or with clear implications for eventual military self-reliance.

The joint decision of Japan and the U.S. to cooperate in development of defensive "Star Wars" technology, plus her demonstrated capability in rocket and space shuttle technologies, are opening for Japan a non-nuclear, "defensive," but high-technology avenue for military development. Star Wars capabilities can be used equally for defense and offense. That decision signals the creation of future options that will be open only to an elite group of space-capable nations.

The likelihood of a formal re-militarization policy depends on a number of factors:

- (1) the perceived credibility of the U.S. defense umbrella and defense commitments towards the western Pacific,
- (2) the perceived magnitude of the Soviet threat,
- (3) the perceived long-term security of sea lanes near or far from Japan, and
- (4) the degree to which the Japanese people share in these perceptions.

The build-up of Soviet forces in the Pacific and the possible pull-back of U.S. forces from the Philippines to the Marianas are some of the long-term negative factors. The Soviet concern for domestic economic renewal, Gorbachev's signals towards better Japanese-U.S.S.R. relations, the U.S.-Soviet INF (intermediate nuclear forces)

Treaty, and the Malta understanding between President Bush and Secretary Gorbachev are some of the medium-term positive factors.

While the policy and legal debate is going on within Japan, the upgrading of the Self-Defense Force remains a continuing physical reality. A creeping, virtual remilitarization is taking place.

A global pattern is emerging among nations: they are discovering that peace is less expensive than tension and conflict.

- (1) The Soviet Union, followed by Vietnam, are reforming and revitalizing their economies bled by excessive defense spending.
- (2) In the light of its persistent trade and fiscal deficits, and the "success" of its containment strategy against the Soviet Union, the U.S. is redefining its security posture more along economic dimensions.
- (3) "Successful" Soviet interventions in Angola, Nicaragua, Vietnam and Afghanistan have proven to be economic liabilities.
- (4) Motivated by material considerations, China has trimmed the size of the PLA and exported more arms to obtain foreign exchange.
- (5) Japan, thanks to its Constitutional injunction against a formal armed forces and the U.S. defense umbrella, shunted resources to more productive uses over the last four decades.
- (6) Gorbachev chose a military hands-off policy towards the political liberalizations taking place in Poland, East Germany, Hungary, Czechoslovakia, and Romania.

It would be a low-probability and ironic reversal against these peaceful trends, if Japan formally remilitarizes. Considering, then, the emerging global military climate, the most likely scenario is continuing quantitative growth of Japan's Self-Defense Force within the terms of its Constitution, and growth in arms-related industries for export and linkages to other sectors.

#### IV. PACIFIC SHIFT OF THE SOVIET UNION

The industrial future of the Soviet Union lies in the fuller development of its huge natural resources in its Asian, and particularly its Siberian frontiers. Relatedly, it also lies in—

- (1) the development of an adequate and reliable transportation linkage between its demographic, administrative, and industrial centers west of the Urals (European side) and its huge resource base east of the Urals and towards the Pacific (Asian side);
- (2) the maintenance of stable local relationships with its Asian and European minorities; and
- (3) achieving a stable modus vivendi with other powers in the western Pacific.

Therefore, the logic of Soviet development inevitably points eastward.

In this Pacific shift, the Soviet Union faces great problems:

- (1) lack of capital and foreign exchange for resource development arising from many factors, such as: declining productivity during the last three decades, siphoning of huge state financial resources into defense and arms production, drop in price of its main foreign exchange earner during the latter 1980s (petroleum);
- (2) geographical and logistic limitations, such as: great distances between the European side and the Pacific side, maritime closure of Soviet Pacific ports, extreme cold, snow-bound northern ports during winter, proximity of sparsely populated Siberia to dense population centers in north-eastern China and Japan; and
- (3) presence of superior American forces in the western Pacific, and a continuing "pax Americana" in an emerging "Pacific lake" and Pacific trading system.

The scale of these problems, if they are to be surmounted and if the Soviet economy can fully take advantage of Siberian potentials, requires a few decades of relative peace and stability in her central Asian regions and in her Pacific frontiers.

The growth of Soviet maritime, and invariably naval, presence in the western Pacific and South China Sea is therefore not unexpected. Maritime and maritime-related industries and the export of energy and other natural resources will be the cutting edge of Soviet peacetime trade in northeast Asia. Japan has burgeoning capital and foreign exchange surpluses available for resource development. With her intense drive for expanding its external markets, Japan would—or more accurately, could—play a key role in recruit-

ing the Soviet Union into peaceful and stable trading relationships with Pacific states and in providing needed capital for development of the Soviet Union's Siberian frontiers. South Korea has some potential to compete with Japan in this respect.

The July 1986 "Vladivostok initiative" of General Secretary Gorbachev was, following the same analysis, not unexpected. It signals an expected Pacific shift in Soviet domestic and foreign policies. After years of economic stagnation, it appears to be part of a new broader, corrective, inward-looking economic development strategy. This also includes reform of its production systems, establishment of autonomous trading companies, devolution of planning to lower levels, and more democratic role of workers and factory managers.

Japan is a key actor in this Pacific shift. The quality of Japan-Soviet relationship will determine whether mutually beneficial and peaceful trade and investments would obtain for many decades to come. So far, Japanese reaction to the Vladivostok initiative is lukewarm. The Japanese claim over the Kuriles Islands taken over by the Soviet Union at the end of World War II has not been satisfactorily settled from the Japanese viewpoint. The islands give the Soviet navy a military advantage difficult to give up, namely, immediate and year-round access to Pacific blue waters. The military facilities set up by the Soviet Union in the Kuriles Islands only serve to prevent, or postpone, the development of greater and more mutually beneficial economic relationships between the two powers.

While China-Japan trade has been increasing, although not as fast as both sides had originally planned, and while continuing initiatives in normalizing Soviet-China relations are making some progress, improvement of the Japan-Soviet side of this northeast Asian power triangle appear to be lagging behind. Mutual suspicion remains.

An issue remains: How would Gorbachev's new domestic policies of *glasnost* (openness) and *perestroika* (restructuring), and the progress achieved in U.S.-Soviet arms limitation (the INF Treaty and resumption of START or Strategic Arms Reduction Talks) affect Soviet behavior towards national liberation movements in Third World countries?

The issue is applicable to the calculation of external threats to the Philippines. After seeing fresh wind blow from the Soviet Union

since three years ago, the Philippines—which has the strongest national liberation movements among ASEAN countries—is still the most cautious. Progress in proposed bilateral projects have been slow. Meanwhile, Malaysia's Prime Minister Mahatir, Indonesia's Foreign Minister Kusumaatmadja, and Thailand's Prime Minister Tinsulanond had visited Moscow. President Corazon Aquino's visit to Moscow was postponed after the December 1989 attempted coup.

Somehow, verbal assurances from Soviet diplomats and leaders have not assuaged Philippine fears. After years of undesirable Soviet track record of assisting national liberation movements in Third World countries, the Philippine government is watching concrete behavioral indications of change, such as—

- (1) full withdrawal of Soviet troops from Afghanistan,
- (2) visible Soviet pressure leading to final withdrawal of Vietnamese troops from Kampuchea (by 1990 as promised by Vietnam),
- (3) cessation of incursion of Soviet naval vessels in Philippine waters, and
- (4) other concrete Soviet behavior towards other Third World countries with liberation movements such as Nicaragua.

On other hand, termination by the Philippine government of the R.P.-U.S. Military Bases Agreement is probably the indication of change in Philippine foreign policy that the Soviet Union is waiting for.

## V. CHINA: TO BE AN INDUSTRIAL SUPERPOWER?

The Chinese mind views social reality in terms of dualities of forces and the dialectic interplay or "contradictions" between them: yin and yang, male and female, elite and masses, developed and underdeveloped countries, urban and rural, and so forth. Similarly, underlying Chinese foreign policy behavior is their interpretation of international relations in terms of a hierarchy of contradictions. As viewed by the Chinese, the contradictions are, in order of decreasing global importance:

- (1) The primary contradiction between the two superpowers, the capitalist imperialist (U.S.) and the socialist imperialist (U.S.S.R.), which is synonymous with "hegemonist";
- (2) The secondary contradiction between the superpowers and the "neocolonial powers" (the North) on the one hand, and

the developing countries of the Third World (the South) on the other hand;

- (3) The lesser, tertiary contradiction between the elites and the masses within each national society.

From this view, lesser contradictions are easier to resolve once more important ones had been first resolved, and not vice versa. From the above framework, seemingly unpredictable or inconsistent Chinese foreign policy behavior becomes easily understandable or explainable.

The Sino-Soviet conflict arose, not only due to territorial disputes along the Amur-Ussuri river boundaries, but due to the Chinese ideological aversion against dominance or oppression of a country by another. The Chinese points to Soviet behavior in quelling unrests in Hungary and Czechoslovakia, and in sending troops to Afghanistan, as clear evidences of Soviet hegemonism. Thus the Sino-Soviet conflict is viewed as more fundamental from the Chinese side than from the Soviet side. Sino-Soviet rapprochement is taking place because China is beginning to see evidences of retreating Soviet hegemonism in Afghanistan, Kampuchea and Eastern Europe.

China had warned of, and almost half-wisely expects, a global conflict between the two superpowers—a war that she anticipates would devastate or weaken both. While this primary contradiction or antagonism builds up, China has decided to temporarily tilt towards United States, Japan, and the West to obtain technology, capital, and trade advantages towards her announced goal of making China into an industrial superpower by 2000. This step can be interpreted as simply a tactical alliance with the West, a case of “uniting with the enemy tomorrow to defeat the enemy today.”

Government-to-government diplomatic ties between China and Third World governments run by oppressive elites, at times simultaneous with “party-to-party” links and moral support for liberation movements in the same country, can be understood as low strategic priority given by Beijing to the resolution of tertiary contradictions. This could also explain why Beijing does not often give material or military support to national liberation movements compared with Moscow.

The decision, reached ten years ago during the Fifth National People’s Congress, to become an industrial superpower—and thus

to welcome and actively seek Western capital and technology and to participate more vigorously in international trade—contributes to stability in the western Pacific over the next one or two decades. Chinese leaders have pressed for peaceful resolution of the Taiwan issue and have shown firmness on its position of political sovereignty over Hongkong. Deng Xiaoping and former Premier Zhao Ziyang had aimed for a virtual “two-Hongkong one-China” scenario in the next century, and started various goodwill-building measures between the two Chinas (relaxation of prohibitions against travel and family reunions; moves towards greater people-to-people contact in cultural, sports and academic areas).

The army attack at Tiananmen on student demonstrators set back the timetable for this scenario for at least a decade. The ideological debate within the highest ranks of the Chinese leadership was exposed in this event, with the old conservative party leaders behind Premier Li Peng gaining temporary upper hand. The central issue is not whether to continue with Western trade and domestic economic reforms but the extent to which they should be pursued without bringing in foreign ideas and domestic pressure for political reforms which threaten the power of the Chinese Communist Party. While the debate continues, the post-Tiananmen policy shifts are resulting in lost economic lead time: erosion of goodwill of foreign lenders and investors, alienation between the CCP and educated youth and intellectuals, stifling of small-scale enterprise, an undercurrent of anti-government sentiments, ideological confusion at the lower ranks, and perhaps ideological cracks within the PLA itself. The momentum of a decade of rapid economic progress had created a broad following and deep consumerist lifestyles and expectations, which the present conservative leadership can manage only with difficulty and uncertainty. After 1997, Hongkong may turn out to be less of a trading advantage and more of an ideological liability. A new exodus of disillusioned or fearful Chinese has started from Hongkong and the mainland.

While the Chinese leadership sort out and fine-tune an ideological consensus, the economy will suffer a slowdown. In the meantime, ASEAN will have about two decades of “breathing space” during which to gain further collective and regional strength.

## VI. SOUTHEAST ASIA

Two, or perhaps four, controversial issues continue to beset the Philippine government. They are, in order of importance, (1)

the five-way territorial conflict over the Spratleys, (2) the Sabah claim, and the overlapping exclusive economic zones (EEZs) (3) between the Philippines and Malaysia, and (4) between the Philippines and Indonesia.

The Spratley conflict is the most complex. Three of the five contending parties had fought each other before: Vietnam and People's Republic of China in 1979, and Taiwan and People's Republic of China during the Quemoy and Matsu incidents. The Philippines did send non-combatant troops to assist the South Vietnamese government during the Vietnam War, and allowed the use of Clark and Subic bases as logistic and staging points for U.S. forces. Taiwan, Vietnam and the Philippines each maintain garrisons in the respective islets they occupy.

As far as formal intentions are concerned, the Sabah issue is no longer a problem; both President Marcos and President Aquino expressed their desires to withdraw the Philippine claim for the area. There are minority Filipino opinions to the contrary, but the consensus seems to support the position of the last two presidents. The unresolved issue is no longer political but economic, namely, settling of financial claims of the heirs of the Sultan of Sulu. But all along, Malaysia has been waiting for clear steps on the part of the Philippines for implementing those intentions.

The U.S. government has not given any open support for the Philippines in Spratley, Sabah, and other issues. It appears that, should mutual hostilities arise which do not involve invasion of Philippine territory as defined in 1951, the Philippines cannot depend on the U.S. under the 1951 RP-US Military Defense Treaty.

At the same time, it can be argued that the presence of the U.S. military facilities may have discouraged countries from engaging the Philippines in an open conflict, such as Vietnam over the Spratley islets. After the U.S. pulls out its military facilities from the Philippines, which could take as early as September 1991 under the provisions of the 1987 Constitution, the Philippines will be at a disadvantage in any confrontation in the South China Sea. The military capabilities of the countries involved are in all cases superior to that of the Philippines. Per capita defense expenditure of the Philippines is lowest in ASEAN. Malaysia and Taiwan have smaller populations but clearly possess superior air and naval attack capabilities.

Disengagement from the RP-US Military Bases Agreement must therefore be planned and undertaken with the objective, among others, of strengthening the Self-Reliance Defense Program and of the operational capabilities of the Philippine Air Force and Philippine Navy.

## VII. SOME POSSIBLE SCENARIOS

### *A Sino-Soviet Rapprochement.*

This possibility has increased with the beginning of Soviet troop pullouts from Afghanistan and Kampuchea, the US-USSR INF Treaty which includes SS-20s targeted at Japan and China, and Premier Li Peng's positive response to Gorbachev's Krasnoyarsk speech. The low-interest \$82 million Soviet loan extended recently to China to continue the rail line linking the Soviet Central Asian Kazakh Republic with China's northwestern Xinjian province is an indication.

The economic reforms in the Soviet Union parallel those of China: decentralization of production decisions, more use of price and incentive mechanisms, and reducing the role of the party in production. Events are bringing the two socialist giants into converging ideological positions. If a clear reduction in the Russian predilection to interfere with and dominate other socialist countries (according to its self-appointed role of championing international socialism) accompanies Gorbachev's inward-looking economic reforms, a Sino-Soviet rapprochement would alter the configuration of international relations.

A Sino-Soviet rapprochement will have a direct impact on Sino-Vietnamese relations. The Chinese premises improvement of its relation with the Soviet Union on, among others, withdrawal of Vietnamese troops from Kampuchea and withdrawal of Soviet support for these troops. Vietnam is suffering through its own version of low productivity and military overreach. The emergence of Premier Nguyen Van Linh in the mold of General Secretary Gorbachev, who instituted new policies encouraging small-scale private enterprises, and reconciliation with the Chinese minorities and disgraced Saigon bureaucrats and businessmen. Withdrawal of Chinese support for Pol Pot in exchange for withdrawal of Vietnamese troops in the next few years can change the nature of Sino-Vietnamese relations.

*A Japan-China Economic and Trade Tandem?*

The tremendous complementarities between the two powers' respective economies and resource mixes will bring the two together like magnets. China has its huge domestic market, cheap labor, energy, and natural resources; Japan has its surplus capital, high technology, and drive for opening export markets. Both has what the other needs. Japan has been China's top trade partner since China opened her doors wide to international trade after the Cultural Revolution.

Political issues must be settled first. In 1986, Sino-Japanese trade dropped after many years of increase. The underlying issues are many:

- (1) China would like to reduce its huge trade deficit with Japan;
- (2) Japan is more hesitant than the U.S. in investing in China, in exporting militarily-significant goods, and in allowing visits by Chinese officers in sensitive military facilities;
- (3) Japan's behavior towards Taiwan is viewed by Beijing as ignoring its One-China policy;
- (4) Japan is wary of a Sino-Soviet rapprochement.

In the USSR-Japan-China triangle, Japan perceives the Soviet Union as the source of its primary external threat and the adversary in its unsettled territorial dispute over the Kuriles. Thus the Japan-USSR side of the triangle is most problematic, giving China some flexibility in playing the two against each other. However, the potential economic benefit to China is much greater through its relationship with Japan than the Soviet Union. Populous China will probably continue to receive greater Japanese investments than Soviet Siberia. However, full-scale exploitation of China-Japan complementarities would come about only after long-term prospects for peace are restored in the Korean peninsula.

*An Intensifying Pacific Trading Community*

Powerful economic and cultural forces are at work towards the evolution of a peaceful and progressive Pacific trading community.

Examination of existing patterns of trade, air travel, and membership in international organizations shows that:

- (1) China and the Soviet Union are modest participants in a Pacific trading system largely dominated by Japan and the United States;
- (2) Central American and South American littoral states are not yet direct participants with western Pacific trade, travel, and formal linkages in international organizations. Their trade is largely with the United States.
- (3) The axial actors in the inner Pacific Basin are Japan, United States and Australia. Singapore acts as a minor hub, as well as Hongkong which we view here as belonging to the outer Basin.

Another pattern is the presence of a few threads of cultural and ideological commonalities among western Pacific rim nations. Firstly, including Canada and the United States, there is the common ethnic and religious background ("WASP" or white Anglo-Saxon Protestant) with Australia and New Zealand. Secondly, there is the common Confucian or so-called "Sinic" thread running through Japan, South Korea, China, and Taiwan, Hongkong, Singapore and commercially-dominant Chinese sectors in the Philippines, Malaysia, Thailand and Indonesia. The pattern is clearly the predominance of centripetal (or inward or cohesive) forces among countries which can be designated as the *inner Pacific Basin*: namely New Zealand, Australia, Papua New Guinea, ASEAN states, Taiwan, South Korea, Japan, Canada, the United States and Mexico. Centrifugal (or outward or disruptive) forces on the other hand are very prevalent among countries which can be designated as the *outer Pacific Basin*: Central America especially Nicaragua and El Salvador, the Pacific backdoor of the Soviet Union, the Koreas, People's Republic of China, Vietnam, Laos, and Kampuchea. Conflicts abound in the outer Pacific Basin.

If a Pacific economic community will become a formal reality in the future, it will be among inner rim Pacific Basin countries with large degree of certainty and possibly including some countries in the outer Pacific with lower degrees of certainty. A crucial question here is to what extent would China and the Soviet Union participate in any Pacific economic community which may formally emerge in the future. The Soviet plan of opening Vladivostok and Siberia to greater trade and tourism could be a significant indicator. Domestic developments in Japanese politics will also be indicators because trade with Japan will be an important factor in recruiting

the two socialist giants into the emerging Pacific trading system. If the Liberal Democratic Party will lose to a left-of-center coalition spearheaded by the Japan Socialist Party—a distinct possibility—then policy shifts towards pacifism, neutrality, and amplified socialist trade would come about.

### *Continuing Conflict in Kampuchea*

Peace will not return in Kampuchea even if Vietnam withdraws its occupation troops by 1990 as promised. The terms of withdrawal could include desistance of China from sending military support to the Khmer Rouge. Vietnamese withdrawal will lead to collapse of the fragile three-sided coalition of resistance forces. Conflict, which could use a mix of violent and peaceful means, will continue, this time among local groups seeking control of Phnom Penh. A similar phenomenon may follow in the wake of Soviet withdrawal from Afghanistan. These localized conflicts can fester on even while relative peace obtains among the bigger powers.

Withdrawal of Vietnamese troops will remove direct conflict between Thai and Vietnamese troops. It will encourage greater trade between Thailand and Vietnam, and between Thailand and Kampuchea but lessening of tension in the Indochinese peninsula will also remove a strong stimulus towards ASEAN political cooperation.

## VIII. SOME GLOBAL TRENDS

A number of global trends is expected to exert continuing impacts on national development and security for the next decades. Among them are the following:

### 1. *Growth of Information/Communication Industries*

The agricultural and industrial revolutions were based on technologies which qualitatively altered man's use and control of food and energy, respectively. The next technological revolution will be based on man's greater ability to process, use and control information. Computer science, robotics, artificial intelligence, mass communications, telecommunications, and genetic engineering (manipulation and use of biological information) are the coming growth industries. Competitiveness in international trade will be determined by mastery of these information/communication technologies.

Global television mass media, dominated by rich countries in the free world, can now broadcast live and worldwide calamities,

conflicts and cooperations happening practically anywhere. It is changing the course and character of rebellions and revolutions. Events in EDSA in the Philippines and Tiananmen in China were partly shaped by global public opinion made possible by telecommunications. Scenes of airline crashes, terrorisms, the Chernobyl accident, and the worldwide assistance to Armenian earthquake victims are brought, with all its human drama and immediacy, to millions of homes within 24 hours. Repressions by governments are more feasible politically if not broadcast worldwide, witness the clamp-down on foreign media during the latter stages of protests in Tiananmen and in Burma. Even after the media blackout in China, information flow with the free world continued through the thousands of telefax machines in China.

Global media contributes to world consumerism, widening markets for Western industrial and cultural products, but creating problems for Third World and socialist governments. Undoubtedly, inroads of consumerism is a big factor in pushing economic reforms in socialist countries. But in Third World countries, global media strengthens Western-oriented lifestyles and demands, resulting in greater outflow of foreign exchange to enable their urban elites to buy American, Japanese or European goods.

## *2. Problems in Energy Resources*

Long-term supply uncertainties in petroleum, pollution and health risks from use of fossil and nuclear fuels, and dwindling firewood sources are exerting pressures against energy-intensive industries, and production of such energy-intensive products such as electricity, cement, aluminum and nitrogenous fertilizers. Continuing build-up of atmospheric carbon dioxide is raising a distinct possibility of a greenhouse effect warming global surface temperatures, melting of polar ice, and raising sea levels. The magnitudes of temperature and sea level rises are still the subject of technical debate.

Consensus of expert opinions point to the end of the oil era during the second quarter of the 21st Century.

Vulnerability to energy supply and price crises is forcing restructuring of industrial economies towards high technology content products and information-intensive services. Already, Japan and the United States had shifted from industrial to service orient-

ed economies. A similar pressure is being felt by energy-importing Third World countries.

### 3. *Declining land:man ratio*

Population explosion is reducing the area of farm lands and forested lands per capita. The results are: greater need for fertilizers and energy subsidy for intensive agriculture, greater use of aquatic and marine sources of food, development of novel costs in agriculture, ecological imbalance (rapid soil erosion, loss of plant and animal species, destruction of natural ecosystems).

### 4. *Third World poverty*

Most global economic forecasting models see greater gap between rich and poor nations. Third World debts are expected to increase.

### 5. *An Emerging Ideological or Operational Convergence?*

Although the difference between capitalism and communism remains fundamental at the conceptual or ideological level, a curious and interesting convergence at the production or operational level is taking place in factories in both the East and the West.

There is a convergence across the East-West ideological fence towards greater role of workers in the production system. If this trend continues to its logical conclusion, the future shape of, and possibilities for, international cooperation and understanding could be radically altered towards very desirable directions.

What is this trend?

It is the social experimentation towards giving more management participation and/or equity ownership to workers in enterprises. This experimentation is now taking place in one form or another simultaneously in China, the United States, Japan and perhaps soon in the Soviet Union under Gorbachev—and hints at the future likelihood of convergence at the operational or eventually at the ideological level.

In the United States, equity-sharing in favor of employees in the form of "employee stock ownership plans" or ESOPs are gaining. Around 7,000 American companies have now adopted ESOP as part of its strategy for achieving greater employee loyalty and

productivity. Research on ESOP companies discovered that they display higher profitability, productivity and employment growth than conventionally owned companies. Employees expressed greater satisfaction over their roles in their companies.

A common ESOP modality is for the company to set up an ESOP trust fund, which receives tax-deductible contributions in stock or cash and which holds company stock in trust for the employees. In many companies, the ESOP trust fund is leveraged; that is, it is used as a basis for borrowing money to buy more company stock. The ESOP plan becomes a technique for the company to raise new capital at the same time that it creates a deferred form of employee benefit.

In the Philippines, about 60% of the stocks of the largest sugar refining company (Victorias Milling Company) is owned by its employees, either directly or indirectly through an innovative pension foundation. The publisher of a local newspaper (Malaya) had started to sell stocks to its employees. A small-scale gold mining company (Olegram) is jointly owned and managed by the capitalist and the miners. The Land Bank of the Philippines, a government financing agency, is planning to set up "village corporations" which would eventually be fully owned and managed by the farmers themselves, with the bank performing the role of a temporary or "steward" investor and manager.

A parallel experimentation is, surprisingly, taking place at the People's Republic of China. Chinese economic planners and theorists are in effect beginning to deviate from the Marxist principle of sole state ownership of capital, and have begun to experiment in part-ownership of enterprises by company managers and employees. The state continues to own the biggest percentage of a factory's stocks, but avant-garde Chinese economists believe that

when enterprises are at least partially owned by managers and workers, the latter have a vested interest in making the concerns work.

And that

To develop productive forces, ownership of the means of production must be diversified on the basis of predominance of public ownership, which also constitutes an important part of the economic structure reform.

How post-Tiananmen policies affect this experimentation is not yet clear.

Interestingly, the Soviet Union under Gorbachev is watching the Chinese experiments in private worker incentives and manager "responsibility system," and have made announcements of economic and political reforms along parallel lines: worker incentives, decentralization/devolution of planning downwards to the factory level, encouragement to writers and intellectuals, "glasnost" (or openness), secret ballot and multiple candidates during election of party officials. These measures, if they succeed in the Soviet Union, will result in greater participation of the Soviet citizen in determining their own economic and political fates.

During the visit of Chinese Vice Foreign Minister Qian Qichen to Moscow, Soviet Foreign Minister Shevardnadze remarked that they are "following with great interest the Chinese people's efforts to succeed in their modernization program."

To revitalize their stagnant economy, Vietnam has adopted new policies: one-year tax holidays and other incentives to "privately-owned production" and investors, relaxation of the rule against public servants taking a second job, offer of government loans and use of private trademarks, etc. The direction and policy intentions, independent of whether implementation will match policy, are themselves meaningful trends that parallel the trends pointed out above in other countries.

More well-known is the Japanese style of management which is worker-oriented: lifetime employment, no layoffs, assured eventual promotion, worker participation in management via Quality Control Circles or Productivity Improvement Circles, etc. The company is like a big family or *iemoto* (a form of formal organization not based on kinship) wherein the company president is like a father whom everybody can approach for help. The Japanese style of management reflects the Asian premium on the virtues of loyalty and personalism in business and official undertakings.

These trends, basically motivated by the desire for greater efficiency of production, and also greater competitiveness in the international marketplace, hinge in the philosophy of integrating workers into a more organic relationship with the owners and managers of the enterprise. These schemes make the worker part-manager and part-capitalist, and if carried further can lead to the beginning

of the blurring of distinctions between laborer and capitalist. A more organic relationship is being developed at the workplace. From different ideological starting points in the East and West, the production structure in more operational terms is becoming interestingly similar.

If this trend of "operational convergence" continues into the future, then whatever ideological differences will remain between the major powers in the Asia-Pacific would, hopefully, in time not be seen as worth shooting at each other with nuclear weapons.

#### 6. *Democratic Winds of Change*

Much of cultural trends in the Asia-Pacific region are also global in scope. "Democratization" and "decentralization" trends are discernible in the winds of change sweeping the region. More participation and clamor for greater participation of individuals in various spheres of life are felt.

Technological developments are contributing to this trend. Easier communication and travel are bringing peoples and cultures together. Microcomputers are democratizing access to information. Satellite communications and the microwave dish antenna together are promising the prospect of individual households receiving regional television broadcasts. Arguments are made in favor of decentralized non-conventional forms of energy sources such as solar energy collectors, biogas generators, windmills, etc.

As observed above, competition in world trade is spurring innovations in the workplace and adoption of new forms of incentives for workers. An interesting convergence across both sides of the East-West ideological fence is taking place in the direction of experimentation in participatory management and equity sharing. Non-governmental agents are being more visibly felt as development media across national borders; they serve to empower and organize the poor to enable them to lift themselves from poverty.

#### 7. *Greater Roles of Non-Governmental Institutions*

The state has been the powerful actors in the international arena for centuries, the only actors with a monopoly of the use of military, police, monetary and other legally accepted coercive powers over its citizens. In this century especially, other forms of organizations have appeared: non-governmental institutions such as mul-

tinational corporations, private assistance organizations, cause-oriented groups (anti-nuclear groups, environmental protection foundations, consumer interest groups, human rights organizations), multilateral development agencies, scientific and technological societies, etc. These organizations operate both within and across state or national boundaries, and have begun to exert influence comparable with those of smaller states.

Institutions and conventions established by and among governments have taken up roles that cannot be adequately handled by individual governments, supplementing governmental roles and often creating a life and a self-interest of their own. Multilateral financing bodies, United Nations agencies, conventions (on warfare, patents, telecommunications, etc.) and declarations of human and social rights as well as duties of states—all these are little by little diluting and altering the once powerful sole authority of the king or the state.

Local self-help organizations are learning to assert their roles and complementing government efforts at rural development.

The cry for human rights can be utilized as a political tool by some governments, but it cannot be denied that it is contributing towards shaping a global code of conduct, a global moral consensus, which empowers the individual vis-a-vis the coercive powers of states.

Non-governmental organizations or NGOs have mushroomed, for example, in ASEAN. However, NGOs must apply for affiliation with the ASEAN Secretariat in Jakarta, Indonesia and are required to abide by the policies, guidelines and directives of the ASEAN Secretariat. ASEAN NGOs span a wide range of concerns: art and dances, languages, health, scientific professions, law, tourism, and other areas. Examples of ASEAN non-governmental groups are: the ASEAN Law Association, the ASEAN Women Circle of Jakarta, the ASEAN Cardiologists Federation, the Committee for ASEAN Youth Cooperation, and a host of others.

The Nairobi meeting on "The Enabling Environment for Effective Private Sector Contribution in Development in Sub-Saharan Africa" in October 1986 is an event that illustrates the essence and fundamental motives behind the trend described above:

This [meeting] occurs at a time of some disillusionment with the results of previous development strategies based

on substantial government control or intervention in the economy, subsidized but loss-making industries, despite protection, and forms of dirigiste planning. Instead developers are seeking succor in the private sector, a designation which spans a broad spectrum from the small businessman to the vast multinational corporation, from the grassroots peasant group or voluntary worker to such national or international non-governmental organizations such as Oxfam, Caritas or Interaction.

This trend appears to parallel the decentralization/privatization experiments being undertaken in the factories in China, the United States and Japan, and being eyed by Soviet leader Gorbachev.

#### *8. Greater People-to-People Contacts*

The dizzying pace of advances in telecommunications, mass media, computers and other information-related technologies is creating what has been called a "global village" or an "electronic cottage." There are more opportunities for electronically-enhanced people-to-people contact through:

- (1) international exchange in television programs;
- (2) wide dispersal of music, movies and instructional materials through the video cassette recorder/player, the compact disc and now the digital audio tape;
- (3) international direct-dialing;
- (4) instant transmission of documents through telefacsimile (telefax);
- (5) local area networks for information exchange;
- (6) subscription to data banks within and beyond national borders; and so on and so forth.

New fields are being created such as cross-cultural management, artificial (computer) intelligence for translation between languages, bilingual television broadcasting, live televised cross-national interviews or conferencing, and so on.

More intensive and extensive cross-cultural interactions are accentuating awareness of differences and similarities among cultures, lifestyles and viewpoints at the level of the man in the street. Information is transferred across borders more readily and inexpensively than traded goods. The advent of the microcomputer has placed computer power once reserved to big organizations into the

hands of individuals and households—a democratization of computing power and access to electronic information. Backyard dish antennas can now be used to tap international television broadcasts from geostationary communication satellites. The patent outcome of these socio-technological changes is empowerment of the people arising from greater awareness of issues.

ASEAN, after establishing the political basis for cooperation in economic and functional (or technical) areas, is presently at the threshold of entering into a qualitatively higher phase of greater cooperation in the cultural sphere that will tend to merge perceptions, harmonize interests and blend cultures more closer.

An ASEAN Committee on Culture and Information (COCI) facilitates intra-ASEAN cultural and information exchange programs. An ASEAN Cultural Fund was established to finance COCI projects. Some examples of how cultural exchange is carried out are: art symposia, yearly ASEAN film and music contest and festival, children's book production, painting and photo exhibits, an ASEAN exchange program of radio and television artists, an ASEAN Youth Music Workshop, yearly ASEAN Film Weeks in ASEAN capitals, joint projects by the ASEAN Motion Pictures Producers Association, etc.

ASEAN has been moving from mainly official/governmental towards greater private sector and people-to-people contacts. Citizens of ASEAN member states can now travel within ASEAN without prior visas. Regional news items are beginning to compete for space in local dailies with international news items. It is not unrealistic to expect the development of a regional cooperation in daily live television broadcasting, similar to what is obtaining at a sub-regional scale between Singapore, Malaysia and Brunei Darussalam. The concept of an ASEAN University has been floated and discussed for years, and the time appears ripe for political commitments in this direction.

Parallel to the growth of trade, importance of non-governmental entities, and people-to-people contacts is the growing importance of the private sector. The private sector, which shares less of the concerns of their governments towards national security and economic protection interests, exerts a collective force in the direction of a healthier trading system.

In the Association of Southeast Asian Nations (ASEAN), thanks to the accumulating fund of political goodwill among its member countries, the non-governmental and private sector groupings notably those under the umbrella of the ASEAN Chambers of Commerce and Industry (ACCI) are very active. ACCI had organized many sectoral business groups across ASEAN countries. ACCI members have been more eager than their own government counterparts in pressing for freer intra-ASEAN trade, investments and monetary movements.

Private sector expectations of the pace and scope of ASEAN trade and cooperation have always been greater than what their governments in this regional bloc are willing to commit themselves to.

---

<sup>1</sup>The Philippine Constitution as approved by the Filipino people in 1987, provides that (Article II, Section 7)

The State shall pursue an independent foreign policy. In its relations with other states, the paramount consideration shall be national sovereignty, territorial integrity, national interest, and the right to self-determination.

<sup>2</sup> According to the Concord, ASEAN cooperation shall take into account, among others, the following objectives and principles in the pursuit of political stability... member states, individually and collectively, shall take active steps for the early establishment of the Zone of Peace, Freedom and Neutrality.