

THE U.S.-PHILIPPINES ALLIANCE: DEEPENING THE SECURITY AND TRADE PARTNERSHIP

HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION, AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

—————
FEBRUARY 7, 2012
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Serial No. 112-120
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Printed for the use of the Committee on Foreign Affairs



Available via the World Wide Web: <http://www.foreignaffairs.house.gov/> or
<http://www.gpo.gov/fdsys/>

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U.S. GOVERNMENT PRINTING OFFICE

72-789PDF

WASHINGTON : 2012

For sale by the Superintendent of Documents, U.S. Government Printing Office
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CONTENTS

	Page
WITNESSES	
The Honorable Kurt Campbell, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State	8
The Honorable Peter Lavoy, Ph.D., Acting Assistant Secretary of Defense, Asian and Pacific Security Affairs, U.S. Department of Defense	18
LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING	
The Honorable Edward R. Royce, a Representative in Congress from the State of California, and chairman, Subcommittee on Terrorism, Non-proliferation, and Trade: Prepared statement	4
The Honorable Kurt Campbell: Prepared statement	11
The Honorable Peter Lavoy, Ph.D.: Prepared statement	20
APPENDIX	
Hearing notice	32
Hearing minutes	33

THE U.S.-PHILIPPINES ALLIANCE: DEEPENING THE SECURITY AND TRADE PARTNERSHIP

TUESDAY, FEBRUARY 7, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TERRORISM,
NONPROLIFERATION, AND TRADE,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 2 o'clock p.m., in room 2172 Rayburn House Office Building, Hon. Edward R. Royce (chairman of the subcommittee) presiding.

Mr. ROYCE. This meeting of the Subcommittee on Terrorism, Nonproliferation, and Trade will come to order.

Today we are focusing on deepening the security and trade partnership between the Philippines and the United States. It is really a rejuvenated relationship, a relationship that goes back, of course, many, many years to the point in time when, with our traditional ally, the Philippines, we stood shoulder-to-shoulder in fighting Japanese aggression. The Philippines is one of five treaty allies that the United States has in Asia. Last year marked our alliance's 60th anniversary.

Now, for those of us here in the House, I think there is no blunting the fact that there is a feeling that the Philippines has been largely ignored in U.S. foreign policy for the last few years. We need to change that. This is the first congressional hearing focused solely on the U.S.-Philippine relationship in many years. Fortunately, we are going to hear today that there are a lot of things changing in terms of the relationship between the Philippines and the United States right now.

Since 9/11, the U.S. and the Philippines have been very closely cooperating on counterterrorism. The Abu Sayyaf group, the Moro National Liberation Front, the Moro Islamic Liberation Front, those groups are responsible for the deaths of over 100,000 Filipinos. And that struggle goes back decades.

U.S. Armed Forces have worked under the armed forces of the Philippines to provide training and logistics and other support to root out these terrorist organizations. And Philippine forces have had a good deal of success. As all of you know, last week Philippine forces killed some of Southeast Asia's most wanted terrorists, including Marwan, a key link to the Abu Sayyaf terrorist group.

So, security cooperation has intensified lately. The U.S. and the Philippines regularly conduct joint military exercises. U.S. ships

make regular port calls, and last year the United States transferred the Coast Guard cutter Hamilton to the Philippine navy. The navy there rechristened that the Gregorio del Pilar. I have written the Defense Department requesting that the Philippines be given priority when other vessels are transferred. Another capital ship will soon arrive in Manila, and there is talk of even greater military cooperation between the two countries.

Both countries have serious concerns about Chinese aggression in the South China Sea. At least nine times last year Chinese ships fired live rounds at Filipino fishermen. They severed Philippine oil supply cables. They harassed Philippine ships, sometimes merely miles from the Philippine coast. The U.S. and the Philippines want peace and stability in the region. That is going to be key to the global economy. It is going to be key to the growth of the economy in the Philippines. But this is going to require a balance of power.

Cooperation I think is made easier by the good feelings the people of each country have for one another. Filipino-Americans have helped create a very positive impression of the Philippines, and public opinion polling shows that the Philippines population is one of the most pro-American populations anywhere in the world.

Economic cooperation is important as well. For too many years, the Philippines has suffered from economic malaise, as some of its neighbors have had their economies soar. The problems have been many. Corruption has been a problem, poor infrastructure, lack of competition, and generally harmful economic policies. But there are signs the conditions are improving. There are efforts underfoot to change that equilibrium. What is certain is that the many skilled Filipinos deserve better than the economy they have had to survive in.

The U.S. can help in this regard. I am supporting legislation, the SAVE Act, to restore to the Philippines preferential access to the U.S. market for many clothing items it lost when the global apparel quota system was lifted 7 years ago. Of course, since then, the Philippines apparel exports to the United States have shrunk from \$3 billion to \$1 billion a year. Hundreds of thousands of Filipinos have lost their jobs, which have shifted to China. We should give an ally like the Philippines a leg up in competing for international apparel orders.

The SAVE Act has bipartisan support, and I am hopeful it can advance this year. It is in the Ways and Means Committee right now. It is gaining more and more support, more and more traction.

The Philippine Government has trade aspirations. It has expressed an interest in joining the Trans-Pacific Partnership, a proposed trade agreement involving nine countries, including the United States, Australia, Malaysia, New Zealand, Singapore, and Vietnam. The Deputy U.S. Trade Representative has a Manila trip planned for this month to discuss the TPP and other trade issues.

The Philippines needs to come up to speed. Due to its regulatory shortcomings and its treatment of intellectual property and red tape and other trade and investment inhibiting factors, there are changes that need to occur. Well, the United States can help in that regard.

The Partnership for Growth Initiative aims to assist the Philippines to improve many of the conditions that impede its economy

and participation in TPP-like trade agreements. This also would help put the Philippines on the map for more trade and investment vis-à-vis competitors like China.

This week I will be holding a hearing on some of these issues, but we are starting with this hearing today that looks at the deepening of the security and trade partnership.

With that said, I would like to turn to Mr. Sherman for any opening statement he might have.

[The prepared statement of Mr. Royce follows:]

Subcommittee on Terrorism, Nonproliferation, and Trade
The U.S.-Philippines Alliance: Deepening the Security and Trade Partnership
Opening Statement - Chairman Ed Royce
February 7, 2012

Today, the Subcommittee examines a rejuvenated relationship with the Philippines. The Philippines is one of our five treaty allies in Asia. Last year marked our alliance's 60th anniversary.

But there is no blunting the fact that the Philippines has been largely ignored in U.S. foreign policy. This is the first congressional hearing focused solely on the U.S.-Philippine relationship in many years, in fact. Fortunately, as we will hear today, things are starting to change.

Since 9/11, the U.S. and the Philippines have been closely cooperating on combating terrorism. U.S. Special Forces have worked under the Armed Forces of the Philippines, providing training, logistics and other support to root out terrorist organizations seeking sanctuary in the southern Philippines - and with a good deal of success. Just last week, Philippine forces killed some of Southeast Asia's most wanted terrorists.

Importantly, U.S.-Philippine security cooperation is expanding beyond counterterrorism. While the Aquino Administration has taken steps to bolster its military, it faces years of neglect. Last year, the U.S. transferred the Coast Guard Cutter *Hamilton* to the Philippine Navy. Renamed the *Gregorio del Pilar*, the ship - originally commissioned in 1967 - immediately became the Philippine Navy's flagship vessel. This simple step bolstered an alliance and saved the U.S. taxpayer a hefty disposal tab. I am pleased to report that the congressional review process for another ship - Coast Guard Cutter *Dallas* - wraps up this week. It should soon be on its way to Manila.

There is talk of even greater security cooperation between our two countries - more exercises, and more troop and ship visits. There are reports the Philippines would like to bolster its air defenses with refurbished F-16s. While generally supportive, this doesn't mean the Philippines can shirk its own defense responsibilities. Manila's human rights record has impacted security cooperation in recent years.

Aggressive Chinese claims on the South China Sea - or the West Philippine Sea as it is referred to in Manila - are driving the nations of Southeast Asia to seek closer U.S. ties. Chinese ships have fired live rounds at Filipino fisherman and severed Philippine oil survey cables, sometimes merely miles from its coast. The U.S. and the Philippines want peace and stability in this region, which is key to the global economy.

Our economic ties are important too. For too many years, the Philippines has suffered from economic malaise as its neighbors have soared. The problems have been bad government, corruption, and generally harmful economic policies. There are some signs that conditions are improving. Legislation pending in the Ways and Means Committee that I support would restore

to the Philippines preferential access to the U.S. market for many clothing items it lost when the global apparel quota system was lifted seven years ago.

In recent months, the Obama Administration has placed heavy emphasis on Asia. While welcome, a word of caution. Raising expectations is the easy part. It's the follow-through that matters.

Mr. SHERMAN. Thank you.

Can you tell us about this upcoming hearing? I yield to the chairman.

Mr. ROYCE. We will start with this hearing here today, and I will yield to you.

Mr. SHERMAN. Okay. I will look forward to the additional hearing that you referenced.

Thank you for holding these hearings.

Back when I was in private practice is when Marcos fled to Hawaii with, I think it was, 27 Bekins boxes of his financial records, the roadmap to his stolen assets. Back then, I served as part of the legal team that got those Bekins boxes and, ultimately, the assets to the government of Corazon Aquino. We followed the U.S.-Philippine Tax Treaty then, and I think the fact that we adhered to the treaty, even when the administration at that time was reluctant to do so, further cements our relationship with the Philippines, that we take our treaty obligations seriously. The Philippines is an important ally in a strategically-critical region, especially given the aggressive economic and military rise of China.

I would like to recognize the 3.5 million Filipino-Americans who have made such outstanding contributions to our country. Southern California, and especially the San Fernando Valley, is honored and blessed to have a vibrant Filipino-American community.

The U.S.-Philippine relationship has a long history going back to the 19th century. But, since 9/11, this relationship has grown, particularly in the area of counterterrorism. Filipino security forces have successfully disrupted and weakened al-Qaeda-affiliated organizations, and the Philippine Government has acted in cooperation with the United States.

Abu Sayyaf and Jemaah Islamiyah—JI I can pronounce—carried out multiple terrorist bombings throughout the Philippines in the past decade. About 600 U.S. soldiers are assigned to the U.S.-Philippine Joint Special Operations Task Force and were sent there after 9/11 to assist the Philippines in its effort to combat terrorism. With U.S. support, these groups' connections to al-Qaeda and their capacities have both been weakened.

Most recently, on February 2nd of this year, the Malaysian terrorist known as Marwan was reportedly killed in a U.S.-backed strike, though we don't have confirmation of his death yet. American counterterrorism troops have helped Filipino troops track Marwan for years using satellite and other surveillance. Marwan's death, if true, would be a major success in disrupting a terrorist network responsible for numerous deadly bombings in the Philippines and for training a large number of militants.

Tensions are high in the South China Sea where China, the Philippines, Vietnam, Brunei, Malaysia, and Taiwan all have overlapping territorial claims and are fighting over areas that may contain oil and gas resources. Too often, we hear of worrisome incidents of Chinese aggression against the Philippines and other nations of the South China Sea, especially near the Spratly Islands.

In February of last year, a frigate from China's navy fired shots at three fishing boats from the Philippines. In March of last year, the Philippine Government reported that two patrol boats from China attempted to ram one of its surveillance ships.

Secretary of State Hillary Rodham Clinton visited the Philippines in June of last year and committed to supporting the defense of that island nation. Philippine Foreign Secretary Rosario aptly stated that the Philippines is a small country but, in his words, "prepared to do what is necessary to stand up to any aggressive action in its backyard." We should provide the Philippines with the necessary resources to meet this need, but we must be certain that we are not brought into a conflict in the South China Sea.

All these developments are, of course, seen in the context of the President's recent pivot toward Asia. For the past several months, the administration has emphasized a shift in U.S. military resources and diplomatic focus away from the Middle East and toward Asia and the Pacific. I see the dangers of Asia and the Pacific. I am not sure there has been a lessening of dangers in the Middle East.

Recent agreements have been reached to allow thousands of U.S. Marines to rotate through northern Australia, and U.S. Navy warships in Singapore. The President has announced in November that the U.S. would deploy 2500 Marines in Australia and would shore up alliances in Asia. Not surprisingly, the Chinese do not find this helpful.

The agreement with Australia amounts to the first long-term expansion of U.S. military presence in the Pacific since the end of the Vietnam War. This shift comes despite necessary cuts in the Pentagon budget. We need to balance our need to provide for security in Asia with the budgetary situation in the United States. The U.S. deployment to Australia, the largest since World War II, will start this year with a company of 250 Marines in Darwin and, as I mentioned, eventually 2500.

One question I will want our panel to answer is, what should the U.S. be doing to help our allies in Southeast Asia, including the Philippines, deal with these security challenges without necessitating a large buildup of U.S. forces in the region.

Finally, as to trade, the chairman pointed out that the Philippines has expressed interest in joining the Trans-Pacific Partnership. I will simply point out that many of these trade deals have turned out extremely badly for American working families. As we look at the TPP, we have to see not only what expansion of exports would be involved, but also what expansion of imports and the effect on our trade deficit.

I look forward to hearing from our witnesses on this and other matters.

Mr. ROYCE. Thank you, Mr. Sherman.

Before I introduce our two witnesses, I would like to recognize the presence of the Ambassador, Jose Cuisia, the Philippine Ambassador to the United States. I would just like you to stand for a minute.

This hearing today comes a day after a very powerful earthquake hit the Philippines, and our hearts go out to the Filipino people, those who lost their lives in this quake. The thoughts of the committee are with the Filipino people, Mr. Ambassador. Thank you.

Kurt Campbell is the Assistant Secretary of State for East Asian and Pacific Affairs. He has held numerous positions in government,

including Deputy Assistant Secretary of Defense for Asia and the Pacific. He has also held various positions in academia and think tanks in the past, and he has served as an officer in the U.S. Navy.

Dr. Peter Lavoy is the Acting Assistant Secretary of Defense for Asian and Pacific Security Affairs. Previously, he held several senior positions in the Office of the Director of National Intelligence. Dr. Lavoy is the author and editor of several books and journals on security policy in Asia.

We thank both of our witnesses. We will begin with Assistant Secretary Campbell.

STATEMENT OF THE HONORABLE KURT CAMPBELL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. CAMPBELL. First of all, Chairman Royce, may I thank you for your interest and focus on Asia, but particularly on the Philippines. It is much appreciated. We have noted in recent years there has been lots of testimony on other parts of the world, but in recent years not as much focus on Asia as we would like to see in the Legislative Branch. And so, we appreciate that you are doing this, and we hope to see more of these hearings going forward.

Let me just say at the outset I very much appreciate your recognition of Ambassador Cuisia. I would just simply say that we in the U.S. Government are extraordinarily impressed by the team; first of all, by the leadership that President Aquino has demonstrated since he has come to office. He has a rare integrity, a passion for his country, a commitment to our relationship. He has nominated and put in place a very strong team from the Foreign Minister, Foreign Minister del Rosario, the Defense Minister, Defense Minister Gazmin, and also a wonderful Ambassador that is a patriot, but also determined to build stronger relations between the United States and the Philippines.

I know we got started a little bit late. So, in the interest of time, I would like to just submit my full testimony for the record, with your permission, sir, and just highlight a few key points, if I may. I would just like to say a couple of things just at the outset to, hopefully, frame our overall discussions.

My own view, gentleman, is that I believe that we are on the verge of a renaissance in the relationship between the United States and the Philippines. And frankly, this hearing helps us along this path.

I am not going to read from my statement, but I would simply point out one sentence at the end of the first paragraph which I think is particularly pertinent in this regard. I think we are in the process of turning the page from really a previous legacy of paternalism to a much more equal partnership between our two countries. I think that is particularly significant for the Filipino people.

As you underscored, I think the United States is in the midst of an extraordinarily important shift in the focus of American foreign policy. To Congressman Sherman, we completely agree that there are enormous threats and challenges that will persist in the Middle East and South Asia, but it is also the case that enormous possibilities are also apparent in the Asian-Pacific region. I think by almost any measure, most would argue that the lion's share of the

history of the 21st century is going to be written in the Asian-Pacific theater. So, I think the United States—and this is a proud, I believe, bipartisan commitment—is in the process of stepping up our game in the Asian-Pacific region while at the same time maintaining our critical security and political commitments in the Middle East and South Asia.

What we are seeing in Asia is a multifaceted strategy. First, starting with the strengthening of our alliances, Congressman Royce, you talked about our five alliances, enormous historical significance, the Philippines key among them.

We are also attempting to diversify our relationships in the region as a whole. Today Secretary Clinton is hosting the Indian Foreign Minister, India playing an increasingly important role not only in the subcontinent, but as a player in the Asian-Pacific region.

We are diversifying our strategic and military strategy. Dr. Lavoy will speak about this. Part of what we are doing is ensuring that we are balanced in our approach. We will keep a strong commitment in Northeast Asia, but we will focus more of our attention in Southeast Asia.

We recognize how important it is to have a strong, predictable, credible relationship between the United States and China. That will be a challenge, but it is important. Every country in the region wants a better relationship with China. It is important for us to respect and understand that. Also, the United States wants a better relationship with China. We need to work on that relationship. It will be one of the most consequential relationships for the United States in the 21st century.

In addition to stepping up our diplomatic game generally, we will focus on a number of key partnerships like Indonesia, working more closely with Vietnam and others. We also believe that a key component of our overall approach will be our economic role in the Asian-Pacific region.

I am pleased and proud that we passed the Korea Free Trade Agreement. I know there were some concerns, but I think it is going to be important for American prosperity going forward.

I think the Trans-Pacific Partnership has the prospect for providing a very high-quality trade agreement. We very much appreciate the interest that countries like the Philippines have expressed.

I would simply say, Congressman Royce, that as we go forward we will have, I think, important people-to-people ties. I believe our security and strategic relationship will diversify. But at the core relationship has to be a deeper economic component, and I commend you on your support for innovative ideas that will bring our two peoples together.

Let me simply say that we have tried to amplify our engagement through a series of high-level visits. I think you will see more of that coming in the next few months.

As you indicated, Secretary Clinton visited the Philippines a few times, but was there last in November. We commemorated the 60th anniversary of our alliance on the deck of the USS Fitzgerald, a U.S. warship in harbor, where we signed the Manila Declaration, which commits our two countries to a broad and diverse strategic partnership going forward.

President Aquino met President Obama subsequently in Bali, and we were able to talk about the areas of our common endeavor, including, as you suggested, the Partnership for Growth. This is a major initiative designed to combat and support the Philippine effort, which is very serious, at getting at the root of some of the challenges that the country has faced with respect to corruption and inefficiency. We are very proud to support this initiative, and we think it is already making a difference on the ground in the Philippines generally.

We believe that over the course of the next several years there will be enormous opportunity for the United States and the Philippine Government to work closely together. We are looking at a host of areas of cooperation on the defense side. Peter, Dr. Lavoy, will talk more about that.

But we are also working much more closely together in multilateral fora at the East Asia Summit, which the United States joined for the first time; the U.S. ASEAN summits, and the ASEAN Regional Forum.

I would simply say, just in quick conclusion, gentlemen, that there is no country in Asia that is more welcoming to the United States, more supportive of a stronger relationship, and more on our side, rooting for us at every step of the way.

What is important about our overall effort in Asia is that it is bipartisan. Obviously, we are operating in a season of occasional political back-and-forth, but the truth is that the great foundations of American engagement in Asia have been bipartisan: Trade, economic, security, political, human rights of the kind that Congressman Sherman spoke eloquently about.

I just want to commit to you that, as we go forward, we will work closely with this committee and others, as we have done in the past, getting your advice and your counsel and your support as we strengthen one of the great alliances that the United States has the pleasure of being involved in, and that is the U.S.-Philippine relationship.

Thank you very much.

[The prepared statement of Mr. Campbell follows:]

**Testimony of Kurt M. Campbell
Assistant Secretary of State
Bureau of East Asian and Pacific Affairs
U.S. Department of State**

**Before the
House Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation and Trade
February 7, 2012**

Mr. Chairman, Mr. Sherman, and Members of the Subcommittee, thank you very much for inviting me here today to testify about the vital importance of the deep and long-standing alliance between the United States of America and the Republic of the Philippines. Many members of this Committee have been key proponents for advancing the U.S.-Philippines relationship, and I look forward to working closely with you as we continue to take steps to strengthen and deepen our partnership. I am particularly pleased that you have chosen to hold the hearing at this consequential moment, a moment when our two countries are working to revitalize our alliance to meet the challenges of the 21st century. In many ways, we are writing a new chapter in our relationship and turning the page from a legacy of paternalism to a partnership of equals.

Our efforts to strengthen the U.S.-Philippine alliance are part of a broader strategy by the Obama Administration to increase American strategic engagement and focus in the Asia-Pacific region. The President and Secretary Clinton's travels through Asia, including hosting the Asia-Pacific Economic Cooperation (APEC) forum in November 2011, underscore that the United States is an enduring Pacific power, and our national interests are inextricably linked to the Asia-Pacific. This strategy, undergirded by a rich bipartisan tradition, has six key components: first, deepening and broadening our alliances with Japan, Republic of Korea, Australia, Thailand, and of course the Philippines; second, building new partnerships with a range of emerging players like China, India, Singapore, Indonesia, Vietnam, Malaysia, and New Zealand; third, increasing our commitment and engagement with regional institutions like ASEAN, the ASEAN Regional Forum, the East Asia Summit and the Pacific Island Forum; fourth, pursuing a more geographically distributed, operationally resilient, and politically sustainable force posture in the Asia-Pacific region; fifth, working to advance free trade and opportunities for

American businesses; and last advancing human rights and democratic values from China to Vietnam and Burma.

I would like to use the remainder of my testimony to focus on the important work that the Obama Administration is pursuing to strengthen and deepen our partnership and alliance with the Philippines in line with our strategic goals.

Philippine President Aquino and his administration entered office committed to strengthening their partnership with the United States. The United States' and the Philippines' abiding friendship has been forged by a history of shared sacrifice and common purpose. Our relationship is enriched by the presence in the United States of over four million Filipinos and Filipino Americans and in the Philippines by over 150,000 Americans, who help shape the future of both countries. In November, Secretary Clinton stood side-by-side with her Philippine counterpart Foreign Secretary Albert del Rosario aboard the USS *Fitzgerald* in Manila Bay to sign the joint Manila Declaration, commemorating the 60th anniversary of the U.S.-Philippines Mutual Defense Treaty. Together, the leaders reaffirmed that the treaty remains the foundation of the bilateral relationship. The Manila Declaration also sets forth a shared vision for strategic, political, economic, and people-to-people cooperation between our two nations that will allow us to meet the many and diverse challenges of the 21st century.

At this time seventy years ago, our soldiers were fighting valiantly together in the defense of our last strongholds at Corregidor and Bataan. We joined forces again on the beaches of Leyte in October 1944 to begin the liberation of the Philippines. Later, when we signed our Mutual Defense Treaty in 1951, we were united against the spread of communism. Now we have entered a new era, with different challenges and opportunities. As we move forward together, we must ensure that our alliance remains nimble, adaptive, and flexible in order to meet changing global and regional dynamics. We are also resolute in our determination to promote economic cooperation, advance people-to-people ties, and combat corruption.

Forged in war, our partnership is today committed to sustaining global and regional peace, security, and prosperity. We are constantly looking to enhance our security relationship to better address the range of regional security challenges that are of interest to both our governments. We are making sure that our collective defense capabilities and communications infrastructure are operationally and materially capable of deterring provocation from the full spectrum of state and non-state actors. We are working with our Filipino allies to ensure that we can

meet threats like proliferation and terrorism. We remain committed to continuing our close and effective cooperation to counter al-Qaida-linked terrorist groups in the southern Philippines through our Joint Special Operations Task Force.

We also support the Philippines, particularly in the maritime domain, as it moves to improve its maritime security and interdiction capabilities. Last August, we transferred the former Coast Guard cutter *Hamilton* to the Philippines through the excess defense articles (EDA) program. Now renamed the *Gregorio del Pilar*, the cutter serves as the flagship of the Philippine Navy, enhancing the Philippines' maritime security in countering traditional and non-traditional threats, including terrorism, illegal fishing, and natural disasters. In the coming months, we hope to transfer a second Coast Guard cutter to the Philippines, as well as support other improvements in its surveillance and detection capabilities.

The United States and the Philippines cooperate closely in the region's multilateral fora, including the ASEAN Regional Forum, East Asia Summit (EAS), and APEC, and are both firmly committed to the expedient value of multilateral diplomacy in resolving some of the most complex regional and global challenges. As the country coordinator for U.S.-ASEAN dialogue, the Philippines has worked closely with the United States on a number of issues and facilitated the United States joining EAS, which led to President Obama's participation in the first EAS meeting in Bali last November. At the Bali EAS, Presidents Obama and Aquino made strong statements on the region's pressing political and strategic issues, including maritime security, nonproliferation, and humanitarian assistance and disaster relief. The Philippines' leading role in nonproliferation issues also contributed to the successful negotiations between nuclear weapons states (NWS), including the United States, and the member states of ASEAN that resolved outstanding issues and should ultimately enable the NWS to sign the Protocol to the Southeast Asia Nuclear Weapon Free Zone Treaty.

The United States and the Philippines also share a common interest in maintaining peace and stability, freedom of navigation, unimpeded lawful commerce, and respect for international law. This goal is particularly important in the South China Sea, the world's busiest maritime thoroughfare, where multiple overlapping claims can and have led to heightened tension among claimant states. While the United States takes no position on the competing sovereignty claims over islands in the South China Sea, our goal, which we share with ASEAN, is to support a collaborative diplomatic process by all claimants to resolve their disputes without coercion. We believe all parties should pursue and clarify their territorial claims and accompanying rights to maritime space in accordance with international

law, including as reflected in the 1982 Law of the Sea Convention. Consistent with international law, claims to maritime space should be derived solely from legitimate claims to land features. And we note that the Philippines government has proposed domestic legislation in order to harmonize its maritime laws with the Convention, and we commend those ongoing efforts. I would note as well that joining the Law of the Sea Convention is a top priority for the United States. The Convention, which sets forth a comprehensive legal framework governing uses of the oceans, protects and advances a broad range of U.S. interests, including U.S. national security and economic interests. U.S. accession is a matter of geostrategic importance in the South China Sea.

The United States and the Philippines are also building an ever-stronger partnership in the economic sphere. Today, the United States is the number two trading partner of the Philippines, after Japan, and also one of the largest foreign investors. We are working to expand on our trade and investment relationship. In November 2011, our senior trade officials signed a Trade and Customs Facilitation agreement on the sidelines of the APEC conference in Honolulu. We have had several discussions under the auspices of our Trade and Investment Framework Agreement and further discussed the Philippines' interest in eventually joining the Trans-Pacific Partnership. The United States is also working actively to resolve outstanding trade barriers in the Philippines that serve as an impediment to U.S. exports, including unwarranted restrictions on U.S. meat and meat products.

The Philippine government acknowledges that there are issues that weaken our trade relationship and impede equitable, broad-based economic growth for Filipinos. Primary among these is corruption, though there is reason to be optimistic as President Aquino's campaign pledge to root out corruption is beginning to take hold through public disclosure of violations, placing new leadership in oversight institutions, public antagonism to cronyism, and through nascent initiatives that, if implemented effectively, offer the opportunity for gradual, but effective change. As one of just eight founding governments of the Open Government Partnership launched last September in New York, the Aquino administration is committed to a global effort for more transparent, effective, and accountable governance - with institutions that empower citizens and are responsive to their aspirations. Mr. Chairman, if President Aquino and his administration remain committed on this track, I firmly believe the Philippines can continue to improve its global standing, its ranking in the various indices of corruption, and its chances of attracting job-creating investment by American and international companies.

The United States is supporting the Philippine government's development initiatives. Last year, for example, the Millennium Challenge Corporation (MCC) Compact with the Philippines entered into force, providing \$434 million in grant assistance. Through the Compact, municipalities throughout the archipelago will benefit from community-driven development projects. In addition, a major component of the Compact will provide improved road infrastructure for the island of Samar, fostering prosperity through better access to markets and services and lower transportation costs.

We are also helping the Philippine government reduce poverty through a new effort called the Partnership for Growth, or PFG. The PFG is a White House-led program that coordinates the efforts of many U.S. government agencies, starting with USAID and MCC, to remove constraints that inhibit economic growth. It includes agencies as diverse as the Department of Justice and the Department of the Treasury. PFG's objective is to remove the constraints to greater prosperity and accelerate and sustain broad-based economic growth. With growth come jobs, and a person with a steady job has a stake in the economy, a stake in a stable society, and a stake in an honest government that offers services such as health care and education to their families. A PFG Statement of Principles was signed in November by Secretary Clinton and Foreign Secretary del Rosario in Manila.

PFG came about through a demanding process of consultation with Philippine partners, and it also insists on accountability and results. The focus is on real partnership, meaning that goals and projects are based on joint decisions. Our two teams drew up a Joint Country Action Plan, which seeks to establish in the Philippines a transparent and consistent legal and regulatory framework for businesses and entrepreneurs. Another goal is to create a more open and competitive business environment with lower barriers to entry. PFG will also direct funds to strengthen the rule of law by supporting a more efficient court system. And finally, it will direct efforts towards improved oversight of government revenue collection and spending.

Our commitment to the Philippines is also evident in the good deeds of USAID and the Peace Corps, organizations that have been active in the Philippines for 50 years. In addition to its involvement with PFG, USAID provides significant development support to the southern Philippine island of Mindanao, complementing our security and diplomatic efforts to ensure peace and stability there.

The United States is also highly supportive of initiatives to ensure security and equitable justice for all Filipinos. Among several projects, we helped the Philippine National Police (PNP) set up a state-of-the-art crime lab in Mindanao. We also helped the Philippine government form an interagency airport task force with support from the U.S. Drug Enforcement Administration to interdict illegal narcotics and help enforce anti-narcotics laws at Ninoy Aquino International Airport.

The abhorrent practice of human trafficking victimizes a great many Filipinos – men, women, and children. But President Aquino has given this issue his personal attention, and there has been good progress. We support the strong partnership between Philippine civil society and government agencies that has worked to prevent victimization, rescue those who have been abused, apprehend perpetrators, and convict the guilty. Much remains to be done, but the U.S. government has recognized Philippine progress, as documented in the current Trafficking in Persons report.

Mr. Chairman, you well know the United States' longstanding advocacy for human rights and specifically the concerns we have had about extra-judicial killings. Over the past years, some members of the security forces have been involved in politically-motivated murders. As you are aware, the U.S. Congress has withheld three million dollars in Foreign Military Financing from the Philippines, pending progress toward accountability regarding these killings.

Although the pace of killings has declined, trying and convicting perpetrators remains an ongoing challenge. The United States is providing support through The Asia Foundation to help build capacity and streamline these cases, which would help further advance accountability. President Aquino, whose father was the victim of the country's most infamous extra-judicial killing, has spoken publicly on the issue, and Justice Secretary Leila De Lima has shown herself to be a long-time, ardent advocate for human rights.

Mr. Chairman, I have noted a number of opportunities to deepen our partnership with the Philippines. We routinely discuss these with our counterparts at the highest level. Just two weeks ago I co-chaired our second Bilateral Strategic Dialogue (BSD) with the Philippines here in Washington, DC. We are also looking ahead to a visit by the Philippine Secretaries of Foreign Affairs and National Defense for a "2+2" ministerial meeting with Secretary Clinton and Secretary Panetta. We are hoping that these meetings serve to galvanize a further deepening of our bilateral relationship.

In conclusion, the vital ties between the Philippines and the United States are strong and growing stronger, and we must continue to invest in them to serve the interests and answer the concerns of our people, to maintain security and the conditions for progress, and to keep following the fruitful pursuits of peace. I look forward to working with you, Mr. Chairman, and with Members of this Subcommittee and Congress to seek opportunities to influence positively the future direction of this relationship to deliver more benefit to the region and to our people.

Thank you for extending this opportunity to me to testify today on this vitally important issue. I am happy to respond to any questions you may have.

Mr. ROYCE. Thank you, Dr. Campbell.
Dr. Lavoy.

STATEMENT OF THE HONORABLE PETER LAVOY, PH.D., ACTING ASSISTANT SECRETARY OF DEFENSE, ASIAN AND PACIFIC SECURITY AFFAIRS, U.S. DEPARTMENT OF DEFENSE

Mr. LAVOY. Thank you very much. Chairman Royce, Ranking Member Sherman, thank you for the opportunity to join my colleague, Assistant Secretary Kurt Campbell, to testify on the deepening of the security partnership and the longstanding alliance between the United States and the Republic of the Philippines.

As Secretary of Defense Panetta recently said, "We are balancing our global posture and presence and emphasizing the Pacific." This region is growing in importance to the future of the United States economy and our national security. Our relationship with the Philippines is an important part of achieving these national security objectives in this important region.

As one of five defense allies in the Asia-Pacific, the Philippines plays a critical role in our efforts to achieve important security objectives in the region, including in the areas of maritime security and counterterrorism. Specifically, we believe that U.S. forces in the region, working alongside our partners, help promote stability.

The evolution of our 60-year-old alliance with the Philippines has weathered a series of ups and downs, but has always moved along in a positive trajectory. We currently have new opportunities to refocus our bilateral defense cooperation and advance our mutual security interests in tangible ways. There are three reasons for this.

First, the current Government of the Philippines is deeply committed to defense reform and modernizing its defense capabilities, initiatives for which it is turning to the United States for support.

Second, our efforts to help the Philippines build its counterterrorist capabilities have been highly effective in reducing the operating space of known terrorist groups.

And finally, the Defense Department has a new strategy that prioritizes Asia and is consistent with the President's recent remarks at the Pentagon.

Our bilateral military engagement is currently focused on assisting the armed forces of the Philippines to transition from an inward-focus on domestic threats to an outwardly-focused military that needs to be reorganized to address external concerns. We are working to help the Philippines meet its strategic objective of establishing a credible security presence and awareness in the maritime domain. We are accomplishing this through security assistance focused on maritime security capabilities to help the Philippines play a greater role in promoting regional safety and security in that domain.

The cornerstone of our security relationship with the Philippines rests on ensuring stability in the region and providing increased capacity to jointly respond to missions such as conducting disaster relief and humanitarian operations. We continue to work with all elements of the Philippine defense establishment to further develop the armed forces into a modern, professional military capable of defending its sovereign territory, upholding and promoting our shared

values of human rights and democracy, and serving as a net contributor to regional security.

Another evolving security challenge is the increase in tension over land and maritime claims in the region. We do not take a position on the competing sovereignty claims over land, but believe that our partnerships in the region work toward ensuring security. In this endeavor, we continue to encourage the Philippines and all nations to settle their disputes through a collaborative diplomatic process.

This renewed focus on security issues is made possible by the great strides the Philippines has made in achieving its counterterrorism objectives. The successes in countering terrorism in the southern Philippines provides the Philippines armed forces the space and opportunity to refocus strategic security objectives from domestic threats to external concerns.

We have made significant investments in countering transnational terrorist groups through Operation Enduring Freedom-Philippines. The personnel of JSOTF-P, or the Joint Special Operations Task Force-the Philippines, continue to work in support of the AFP to reduce potential threats to U.S. security from transnational terrorist organizations seeking an operational safe haven in the southern Mindanao region, while demonstrating to local and national leaders the importance of promoting our shared values of human rights and democracy. As a recent example, on Thursday morning the AFP conducted a successful operation targeting key leaders of terrorist groups that have plagued the southern Philippines for years.

In conclusion, I would like to emphasize the strategic importance of the relationship between the Republic of the Philippines and the United States, which we must continue to develop. I look forward to working with you, Mr. Chairman, and with members of the subcommittee and Congress, to seek opportunities to influence positively the future direction of this relationship.

I stand by, along with my colleague, Kurt Campbell, to respond to any questions you may have on these very important issues.

[The prepared statement of Mr. Lavoy follows:]

**Testimony of Dr. Peter Lavoy
Acting Assistant Secretary of Defense
Asia and Pacific Security Affairs
U.S. Department of Defense**

**Before the
House Committee on Foreign Affairs
Subcommittee on Terrorism, Nonproliferation and Trade
February 7, 2012**

Mr. Chairman, Mr. Sherman, and Members of the Subcommittee, thank you for inviting me today to testify alongside Assistant Secretary Kurt Campbell on the deepening of the security partnership and the long-standing alliance between the United States of America and the Republic of the Philippines. We are taking steps to strengthen our alliance partnership with the Philippines and I look forward to discussing this important topic and addressing your questions.

As Secretary Panetta recently said, "We are rebalancing our global posture and presence, [and] emphasizing the Pacific. This region is growing in importance to the future of the United States economy and our national security." Our relationship with the Philippines is an important part of achieving these national security objectives in the region.

As one of five defense treaty allies in the Asia-Pacific, the Philippines plays a critical role in our efforts to achieve important security objectives in the region, including in the areas of maritime security and counter-terrorism. Specifically, we believe that U.S. forces in the region working alongside our partners help promote stability. The evolution of our 60 year-old alliance with the Philippines has weathered a series of ups and downs, but has always moved along a positive trajectory. We currently have new opportunities to refocus our bilateral defense cooperation and

advance our mutual security interests in tangible ways. There are three reasons for this. First, the current Government of the Philippines is deeply committed to defense reform and modernizing its defense capabilities, initiatives for which it is turning to the United States for support. Second, our efforts to help the Philippines build its counterterrorist capabilities have been highly effective in reducing the operating space of known terrorist groups. Finally, the Defense Department has a new strategy that prioritizes Asia and is consistent with the President's recent remarks at the Pentagon.

Our bilateral military engagement is currently focused on assisting the Armed Forces of the Philippines (AFP) transition from an inward focus on domestic threats to an outwardly focused military that needs to be reorganized to address external concerns. We are working to help the Philippines meet its strategic objective of establishing a credible security presence and awareness in the maritime domain. We are accomplishing this through security assistance focused on maritime security capabilities to help the Philippines play a greater role in promoting regional safety and security in that domain.

The cornerstone of our security relationship with the Philippines rests on ensuring stability in the region and providing increased capacity to jointly respond to missions such as conducting disaster relief and humanitarian operations. We continue to work with all elements of the Philippine defense establishment to further develop the Armed Forces of the Philippines (AFP) into a modern professional military capable of defending its sovereign territory, upholding and promoting our shared values of human rights and democracy, and serving as a net contributor to regional security.

Another evolving security challenge is the increase in tension over land and maritime and territorial disputes claims in the region. We do not take a position on the competing sovereignty claims over the islands in the South China Sea, land but do believe that our partnerships in the region work towards ensuring security. In this endeavor we continue to encourage the Philippines and all nations to settle their disputes through a collaborative diplomatic process.

This renewed focus on maritime security is made possible by the great strides the Philippines has made in achieving its counter-terrorism objectives. The successes in countering terrorism in the southern Philippines provide the AFP the space and opportunity to refocus strategic security objectives from domestic threats to external concerns. We have made significant investments in countering transnational terrorist groups through. The personnel of Joint Special Operations Task Force – Philippines (JSOTF-P) continue to work in support of the AFP to reduce potential threats to U.S. security from trans-national terrorist organizations seeking an operational safe haven in the southern Mindanao region while demonstrating to local and national leaders the importance of promoting our shared values of human rights and democracy. As a recent example, on Thursday morning (2 FEB) the AFP conducted a successful operation targeting key leaders of a terrorist network that has plagued the southern Philippines for years.

We have been working together with the AFP to develop concrete objectives and tangible measures of progress to ensure that U.S. security assistance funding for military capacity building and modernization is properly utilized and, that the results provide a return on investment. For example, we worked closely with them on developing a long-term defense budget that allocates funding for multi-year sustainment of training and equipment.

As Assistant Secretary Campbell mentions in his testimony, I recently joined him as the co-chair in the second annual Bilateral Strategic Dialogue (BSD) with the Philippines here in Washington. This meeting served to deepen our bilateral relationship and to explore areas of cooperation such as counterterrorism, counter-proliferation, disaster preparedness, border security, and human rights. We also explored the idea that our bilateral alliance could become part of a broader and more comprehensive strategy to pursue a more geographically distributed, politically sustainable, and operationally resilient U.S. force presence in the Asia-Pacific region. The meeting resulted in a mutual recognition that there is much that both nations can do together to address 21st century challenges in the region and to enhance our security cooperation for the mutual benefit of our two nations.

In conclusion, I would like to emphasize the strategic importance of the relationship between the Republic of the Philippines and the United States which we must continue to develop. I look forward to working with you, Mr. Chairman, and with Members of this Subcommittee and Congress to seek opportunities to influence positively the future direction of this relationship. I stand by to respond to any questions you may have on this very important issue.

Mr. ROYCE. I thank you very much, Dr. Lavoy.

Would you like to comment just for a minute on the role the U.S. played with the Philippine armed forces taking down this terrorist organization not too many days ago? If you are free to do so, I would love to hear some commentary on that.

Mr. LAVOY. Well, sir, I can say generally that we have provided a great deal of support to the Philippines in countering a variety of terrorist threats. The Philippines have enhanced their counterterrorist capabilities immensely and are performing very effectively. But I can't talk about this specific operation or any other specific operations in this setting.

Mr. ROYCE. Well, I mentioned in my opening statement the ships that are being transferred through the Excess Defense Articles Program, the new flagship being an example. I know the Dallas, the Coast Guard cutter, is due to sail for Manila soon. But having written the Secretary of the Navy on this, I am pleased to see this move along.

I understand there is some interest in the Philippines also on F-16s, refurbished F-16s. Dr. Campbell, would you like to comment on that potential? Or should I turn that to Dr. Lavoy? Okay. Go ahead.

Mr. LAVOY. Thanks very much. Thanks, Kurt.

We have been working with the Philippines Government on identifying ways that we can enhance our mutual security capabilities. That, of course, entails working with the Philippines to help it modernize its armed forces and reorient to external security requirements.

Sir, you mentioned the transfer of the high-endurance cutter, the Hamilton, to the Philippines, which took place August last year. I think that was a very significant accomplishment. This is now renamed by the Philippines as Gregorio del Pilar. It is now the flagship of the Philippine navy. And I am happy to note that it just completed its first patrol in the vicinity of the Spratly Islands just 2 days ago, on the 6th of February.

You also indicated that there is a likelihood of transferring additional military equipment to the Philippines, including an additional cutter, the cutter Dallas. This is pending Congress' approval and consent. I believe that takes place in 2 days, if I am not mistaken. So, we look forward to a positive supporting consent by Congress.

On the issue of F-16s, right now we are considering a range of military capabilities that the Philippines have requested, but I want to emphasize that affordability and sustainment are critical criteria in our evaluation of these additional supplies.

Thank you.

Mr. ROYCE. Thank you, Dr. Lavoy.

Dr. Campbell.

Mr. CAMPBELL. Yes, just I would simply say, first of all, I support everything that Dr. Lavoy has stated.

We have previous experience of working with the Philippine military. At times in the past, I think we have built capabilities that were hard to sustain, that were inefficient. One of our goals is to make sure that we take the appropriate steps with them, building the kind of capabilities that will support not only independent Phil-

ippine capabilities, but will allow for greater interoperability and engagement with the United States.

In that respect, Dr. Lavoy, and his excellent team, has led a very intensive effort with the Philippines to identify what are the best ways that we can spend, frankly, scarce resources.

I should also say that to support that as well is a discussion that we are having about how the United States can work more effectively with the Philippine armed forces to support our mutual goals and missions, not just in Mindanao, as you have discussed, but, as Peter indicated, more in the maritime realm as well.

I will say that the Philippine Government has asked us to look carefully at a variety of things. For instance, they have suggested that, look, the ships that you provided us, you have stripped a lot of the gear out of it; is it possible to see what can be done to transfer that to the Philippine Government? I think it is a very reasonable request. And so, under Peter's leadership, we are looking to see what we can do to support in an effective, cost-efficient way, supporting Philippine capacities in this regard.

Mr. ROYCE. Dr. Campbell, another question I was going to ask you: When I talk to those involved in the Filipino-American community here about doing business in the Philippines, they say that one of the impediments is the necessity for reform there. And likewise, when we look at trade liberalization and trade and investment issues in the Philippines, there is this question of how to encourage reform because corruption could be a major obstacle to economic growth. That is the concern, I think, of many in the business community in the Philippines.

There is a Global Competitiveness Report that also said that that was the hurdle to doing business in the Philippines.

Now President Aquino has this new anti-corruption campaign underway. I was going to ask you, what major hurdles exist with respect to that campaign and how much headway is it making for economic reform in the Philippines and rule of law in business transactions?

Mr. CAMPBELL. Thank you, Congressman Royce.

I, too, try to talk with the key players that do business in the Philippines. You characteristically hear three concerns.

One, as you suggested, the corruption issues, which have in the past been very challenging.

Second, some infrastructure issues, some inefficiencies in that regard.

And third, some legal challenges.

My own sense is that you have seen some substantial improvements in a few of the legal inhibitions that have caused difficulties, and you see some major companies that have been able to overcome them.

And I also believe that, with respect to the prospects of greater trade engagement, that some of the issues associated with foreign ownership, there are some creative ways around that, as has been demonstrated in other parts of Southeast Asia.

Inefficiencies have also improved generally. The infrastructure is improving in a number of places in the Philippines. I think that really leaves some of the corruption issues. I have to say I think we are just very impressed with the intensity, the unflagging focus

of the Aquino government on this. This is not simply one of those circumstances where it is, hey, don't watch what I'm doing; listen to what I'm saying. The senior officials in the government are practicing what they preach. I think they have taken the bull by the horns with respect to corruption in the Philippines.

I listened very clearly as—and I think it is all right to repeat this—President Aquino made clear that his legacy, what he wants to leave when he leaves office is a track record and an experience that is impossible to turn back on; that a new way of doing business, a clean government ethos remains as the critical gift that he and his administration bestow to his nation. Anything we can do to support that, we will.

The Philippines, Congressman, I will say they are growing. They are not growing as fast as some Southeast Asian countries. But we really, frankly, with the right steps, we could see enormous possibilities there in the years to come.

Mr. ROYCE. Well, we know that conditionality exists in these TPP-like trade agreements. We know that those reforms will have to be made. I think the Partnership for Growth Initiative intends to play a role here in terms of our engagement with the Philippines in order to try to ensure that those reforms that you have articulated go through.

Let me turn to Mr. Sherman for his questions.

Mr. SHERMAN. I will start by disagreeing with Dr. Campbell when he says that support for these trade deals is bipartisan here in Congress. That is true only if you look at the Democratic and Republican Party. If you look, instead, at Congress having a Wall Street Party and a Main Street Party, it is only the former that supports these trade deals.

Looking at the issues we are here to deal with, we have got an unusual circumstance. We provide MFN to China and then accept the most outrageous corruption of the trading relationship with China that enriches China. That allows them to build up their defense. Then, we ask the American taxpayers to provide the weapons, and in some cases the men and women, to offset this Chinese aggressive defense or military posture.

And so, it would seem illogical that we are both financing the Chinese expansion and then we are financing the response, but it is not illogical at all from the standpoint of corporate profits. You see, there are huge corporate profits by giving China total access to our markets, whether they give us access to theirs or not on paper or in reality. And then, there are significant corporate profits in responding to the Chinese military buildup. So, we do have a logical policy. It is just a policy whose logic is driven by Wall Street and not by the interests of either our national security or of working families.

That being said, I have talked about the dispute in the South China Sea. What can the United States do to have that dispute resolved by an international tribunal rather than this constant jockeying for oil and gas and other resources?

Mr. CAMPBELL. Thank you.

I would simply say, on the first point, my own view would be that one of the keys to American prosperity in the 21st century will be to increase American exports substantially.

Mr. SHERMAN. Reclaiming my time and asking you to respond to my question, I will simply say that we have tried these trade deals. They have destroyed hundreds and thousands of American families. To assume that continuing to do what we have done will yield to a different result is the definition of insanity.

Now what can you tell me about international law in the South China Sea?

Mr. CAMPBELL. The United States has a national interest in the maintenance of peace and stability, freedom of navigation, respect for international law, and unimpeded lawful commerce in the South China Sea. We oppose the threat or use of force by any party to advance its claims or interfere with legitimate economic activity. We do not take sides on the competing territorial disputes over land features in the South China Sea. We support a collaborative, diplomatic process by all claimants for resolving the various disputes without coercion. We believe all—

Mr. SHERMAN. Dr. Campbell, if I can interrupt—

Mr. CAMPBELL. Can I answer the question that you asked?

Mr. SHERMAN. I know you have got your standard talking-point response. Is there an international tribunal to which we could persuade the parties to submit these claims?

Mr. CAMPBELL. Do you want me to just finish my answer or prefer not?

Mr. SHERMAN. I would prefer you answer the question, but—

Mr. CAMPBELL. We believe all parties should pursue and clarify their territorial claims and accompanying rights to maritime space in accordance with international law, including as reflected in the 1982 Law of the Sea Convention. In this regard, we have commended the Philippines for progress in harmonizing their maritime laws with international law, and pledge to continue to support their efforts.

We welcome the recent progress between ASEAN and China on steps related to the declaration on the code of conduct of parties in the South China Sea and dialog toward a code of conduct, but we also think much more needs to be done in this regard.

Mr. SHERMAN. Dr. Campbell, if I can interrupt again, because my time is expiring, what are you doing to try to turn our current trade deficit with the Philippines into a trade surplus?

Mr. CAMPBELL. As I was trying to suggest, I think one of the most important things that the United States can do going forward will be to encourage American firms and those companies that historically have not needed to export, to export to the Asian-Pacific region, the largest growing middle classes in the world.

If you look at the top 1,000 American companies, the vast majority of American exports to the Asian-Pacific region come in the top tier of those companies. I think one of the most important things that we can do is encouraging those firms, whether they are based in your District or other Districts, that have normally sold their products mostly to the American people, to have the opportunity to export those same products to Asia and elsewhere.

Mr. SHERMAN. I would say that government needs to do more than send out an email to companies saying, “Hey, have you thought of Asia?” It is up to us to open the markets, to make sure that access to U.S. markets is contingent upon our access to theirs,

and our failure to export is not because of the laziness of American entrepreneurs or their lack of knowledge of Asia; that America is failing over the last 30 years because our Government has been a failure, particularly in the area of trade.

And I yield back.

Mr. ROYCE. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you very much.

I would certainly associate myself with the observations of my colleague, Mr. Sherman, that we need to make sure that, if the Philippines is going to succeed and be a prosperous country, they need to make sure they understand it is not going to be a favor from someone else. It is going to be the fact that we are treating each other as adults and treating each other fairly. With access to our markets, we should have access to theirs as well.

Let me note I have a long history of working with the Philippines, and I think that President Aquino is just a shining light of hope for us who were waiting for someone of that caliber to emerge. We couldn't be happier. Those of us in this foreign policy arena, we are rooting for him and had some good meetings with him when we were in the Philippines. I think the United States, as you are demonstrating today by your testimony as well as what this administration has been doing, that we actually are making this a higher priority to try to get something done now that they have got a good leader who might be able to make some differences.

One thing we have to do is make sure that we differentiate between a democratic government and a dictatorship. I am afraid that we have trade laws—this goes back to what Mr. Sherman was talking about—we have trading laws now that seem to actually have Most Favored Nation status and such with Vietnam, where they haven't had any democratic reform whatsoever, and China, and some of these other countries, where the Philippines have been struggling to have democracy and they have a free press. And yet, we treat them, actually, we treat them worse when it comes to trade than we do with these dictatorships.

We have American companies investing, and to a large degree, in Vietnam and in China. Yet, they are dictatorships. And there's the Philippines right there who could use that investment. So, I would hope that, now that they have a President who is committed to bringing down the level of corruption, that we will reverse that emphasis; that, instead, we will be looking at people to invest in a country that is a democratic country that is now committed to ending that barrier of corruption that has been working against them.

But let me just say, about the security issues, I congratulate this administration and both of you. I congratulate our Special Forces teams. I visited them not too long ago down in the southern Philippines. What a wonderful victory it was for the people of the Philippines and for all of the people of the world who are standing together against terrorism and this threat of radical Islam. Radical Islam was in the Philippines being supported by international causes. It is good that we stood in solidarity with the people of the Philippines against this radical Islamic threat. Now we have gotten at least some of their leaders, and, actually, I understand there

were leaders from other countries there as well. So, that is wonderful.

The last point, and I will be happy to comment. Sorry, I wasn't here earlier and I apologize; I have been running back and forth between meetings here.

China is, as we know, where I believe the threat of radical Islam is in that part of the world now, and especially the Philippines will recede, due to the strong stand that we have taken and the success that we have had in cooperation and standing beside the Filipino Government and Filipino military.

We need to stand as aggressively and as solidly with the Filipino Government in their confronting an aggressive, arrogant China, expansionist China, as we have stood with them against radical Islam. We have had success against radical Islam now, but China has to be put right up there as just as great a threat.

The Chinese are trying to steal the mineral rights and the wealth that belongs to the people of the Philippines. The Spratly Islands are, as we know, possibly in a very mineral-rich area. If we let the Chinese with their superior military take by force from the Philippines, it is international theft at its worst.

I am very pleased; again, the administration deserves kudos for providing this Coast Guard cutter, but I think that we need to work with the Philippines to provide them much more than just an old Coast Guard cutter. Because, again, they fought radical Islam. We have had a great success there. That is a success for both of us. Stopping Chinese aggression in the South China Sea will be a victory for all the people who believe in peace and freedom in that region and in the world.

So, I have had my say. If you have any comment, please feel free. If you disagree, don't say it. [Laughter.]

All right. Well, thank you very much. Again, I want to congratulate the administration. This is a good example of the positive things they have been able to accomplish. I have my disagreements in other areas, but I think we ought to recognize a success when we see it.

Thank you very much.

Mr. ROYCE. Thank you. And I will say I share my colleague's interest in seeing investment move from China to the Philippines. That is one of the things we want to see happen. That is one of the policy goals. From my standpoint, that is why I am backing the SAVE trade bill, the engagement with the Philippines on this trade initiative.

I did want to make mention of a resolution which I and Congressman Rohrabacher support. That is House Resolution 352. That resolution calls for a peaceful and collaborative resolution of the maritime dispute between what China calls the South China Sea and what the Philippines calls the West Philippine Sea. The resolution calls for all parties of these territorial disputes to refrain from threatening force or using force to assert territorial claims.

The reason we think there is such an important opportunity to push this resolution and have it heard is because the entire diplomatic community, every country in the world, perceives this in the same way that the Philippines perceives it. Only China, China

alone, perceives these waters as an extension of its territory. They are out of step.

That is why multilaterally I think the United States and the Philippines and Indonesia and Malaysia and other countries in the region, Vietnam, can all work in tandem toward an international resolution that moves us away from the bellicose use of force and rhetoric that we see, and sort of unites the international community in a resolution to try to resolve this without the aggressive behavior that we have seen on the part of China here.

I wondered, Dr. Campbell, if you would like to make any additional comment on that.

Mr. CAMPBELL. Thank you very much again.

I would associate myself with the comments that you have made. I have looked at both bills that you have submitted, one on the SAVE Act and, also, the second one that you have just suggested.

I would just say, on the first one, I think it is really something that we have to look at seriously. I think there is a lot here that I think both your body has to think about and we have to focus on as well.

Let me just say, some have suggested that the South China Sea is none of our business. I would simply point out that, by most measures, 50 percent, literally 50 percent of the global tonnage of shipping passes through the South China Sea every year and, by value, probably somewhere between a quarter and a third. So, it is an artery in the global economy.

And so, the maintenance of peace and stability, and how issues there are resolved, are extraordinarily important to us. I happen to believe, just as you have indicated, Congressman Royce, that in many respects how these issues will be discussed, how they will be resolved in many respects is a 21st century case study on how the rules of the road will be established and maintained.

I think the United States, we are not a claimant. We are extraordinarily careful how we talk about these things. I appreciated Congressman Sherman's questions, but you will note we have a very clear set of statements that we make.

We believe that there is a process underway. The United States believes that we can play a constructive role in this process. Ultimately, the peaceful resolution of disputes, and finding a legal internationally-recognized framework for how to deal with these issues, we believe it is in the best interests and preserves the interests of all those involved.

Mr. ROYCE. Dr. Campbell, I thank you. I thank you for your testimony today, Dr. Lavoy.

I am sorry we started a little late. That was because of the votes on the Floor.

Mr. CAMPBELL. Thank you.

Mr. ROYCE. But we appreciate you. We know you are headed up to the State Department now for a meeting.

Again, we thank the witnesses.

Mr. CAMPBELL. Thank you very much.

Mr. LAVOY. Thank you.

Mr. ROYCE. Ambassador, thank you for attending as well.

[Whereupon, at 3:49 p.m., the meeting was adjourned.]

A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

Subcommittee on Terrorism, Nonproliferation, and Trade
Edward R. Royce (R-CA), Chairman

February 7, 2012

You are respectfully requested to attend an OPEN hearing of the Subcommittee on Terrorism, Nonproliferation, and Trade, to be held in room **2172 of the Rayburn House Office Building (and available live, via the WEBCAST link on the Committee website at <http://www.hcfa.house.gov>)**:

DATE: Tuesday, February 7, 2012

TIME: 2:00 p.m.

SUBJECT: The U.S.-Philippines Alliance: Deepening the Security and Trade Partnership

WITNESSES: The Honorable Kurt Campbell
Assistant Secretary
Bureau of East Asian and Pacific Affairs
U.S. Department of State

The Honorable Peter Lavoy, Ph.D.
Acting Assistant Secretary of Defense
Asian and Pacific Security Affairs
U.S. Department of Defense

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON Terrorism, Nonproliferation, and Trade HEARING

Day Tuesday Date February 7, 2012 Room 2172

Starting Time 2:53pm Ending Time 3:49pm

Recesses 0 (to) (to) (to) (to) (to) (to)

Presiding Member(s)

Rep. Ed Royce

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

TITLE OF HEARING:

The U.S.-Philippines Alliance: Deepening the Security and Trade Partnership

SUBCOMMITTEE MEMBERS PRESENT:

Reps. Royce, Sherman

NON-SUBCOMMITTEE MEMBERS PRESENT: (Mark with an * if they are not members of full committee.)

Rep. Dana Rohrabacher

HEARING WITNESSES: Same as meeting notice attached? Yes No

(If "no", please list below and include title, agency, department, or organization)

STATEMENTS FOR THE RECORD: (List any statements submitted for the record.)

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED _____


Subcommittee Staff Director

Terrorism, Nonproliferation, and Trade Subcommittee
Member Attendance

Republicans

- Rep. Edward Royce (Chair)
- Rep. Ted Poe
- Rep. Jeff Duncan
- Rep. Bill Johnson
- Rep. Tim Griffin
- Rep. Ann Marie Buerkle
- Rep. Renee Ellmers

Democrats

- Rep. Brad Sherman (Ranking Member)
- Rep. David Cicilline
- Rep. Gerry Connolly
- Rep. Brian Higgins
- Rep. Allyson Schwartz