

## **COMMITTEE ON FOREIGN RELATIONS**

*Wednesday, September 22, 2004*  
*Senator Geronima T. Pecson Room*  
*10:096 a.m. – 12:03 p.m.*

**Senators Present** : Senators Defensor Santiago (Chairperson and presiding), Flavier, Biazon, Lim, and Pimentel Jr.

**Resource Persons/Guests:** Mr. Ariel Abadilla, Assistant Secretary, Office of the American Affairs, DFA; and Ms. Maria Fe Pangilinan Klingert, Executive Director, Office of the European Affairs, DFA.

### **AGENDA**

Re-examination of the following:

- RP-US relations;
- RP-EU relations; and
- The availability of job opportunities in the European Union member-countries and in the United States of America and the procedures that must be followed in order for the Filipinos to avail of such opportunities.

### **HIGHLIGHTS**

The Chair, Senator Miriam Defensor Santiago called the continuation of the public hearing to order on the re-examination of the RP-US relations; RP-EU relations; and the availability of job opportunities in the European Union member-countries and the United States of America and the procedures that must be followed in order for the Filipinos to avail of such opportunities.

### **RP-US RELATIONS**

Mr. Ariel Abadilla, Assistant Secretary, Office of American Affairs of the Department of Foreign Affairs, presented before the Committee a re-examination of the RP-US partnership. He said that bilateral relations between the Philippines and the United States were further enhanced and intensified at the start of President Arroyo's administration in 2001. The warm and close relations were highlighted by the exchange of presidential visits in May and October 2003. The decision of the early return to the Philippines of our contingent in Iraq and the reaction of the United States with this decision had prompted some speculation that this relationship had been weakened. He pointed out that although the US government expressed disappointment on the action taken by the Philippine government during the hostage crisis, the US acknowledged that it was a sovereign act on the part of the Philippines and that they respected it. It is the view of the DFA, he said, that contrary to some speculations, the recent events and subsequent developments have actually shown the resilience of the relationship and its enduring partnership.

He said that common interests bind both nations, these are: to protect ourselves and help preserve the peace and security of our region, we are strategic and treaty partners, to realize our development objectives, our economies are deeply

engaged, and helping bring our nations closer are over 2 million Filipinos in the United States. The shared values of both countries help define our close relations, these are: democracy and the rule of law, tolerance and plurality, market economy and the war against terror. Mr. Abadilla stated that our defense and security cooperation is anchored on these agreements: the Mutual Defense Treaty, Military Assistance Agreement, Visiting Forces Agreement and the Mutual Logistics Support Agreement. An added dimension in training and assistance to prepare us in the war of terror have also been conducted. To support these trainings, in the past three years, the Philippines received an increase in defense and security assistance and benefits from the US government, to wit: the military assistance in 2001 was \$38.03M, 2002-\$94.50M and in 2003-\$114.46M. The Philippines is the largest recipient of US military assistance in Asia and has been designated as a Major Non-NATO Ally.

To further strengthen our defense and security cooperation, Mr. Abadilla said that the Philippines is an active partner of the US in the global war against terror. There are several joint military exercises that are scheduled to commence such as the *Balikatan 2005* and by the first quarter of 2005, the AFP expects to receive thirty (30) helicopters in good condition plus unutilized spares under the Excess Defense Articles (EDA) program. Under the *Operation Enduring Freedom*, which is part of the global effort against terrorism, the Philippines has been liberal in allowing the use of airspace and granting stopover privileges to US military aircraft and vessels. Major on-going projects include: the modernization of the AFP through the Philippine Defense Reform (PDR) formerly known as the Joint Defense Assessment, an RP-led, US-assisted program which focuses on capacity-building and systems reforms in addressing current and emerging threats; the Automated Fingerprint Identification System (AFIS) project funded by the US government; and training programs for government agencies such as the NBI, PNP, BID and PDEA on narcotics trafficking, transnational organized crime, oversight and anti-corruption mechanism as well as anti-money laundering.

On our economic relations with the US, Mr. Abadilla said that the US is our biggest trade partner and the top destination of our exports (19.91%) related to the electronic sector and IT-related services; second is Japan (16.11%); followed by Singapore (6.79%). The US is our second biggest source of imports after Japan. There are also on-going studies for a free trade agreement with the US and interaction between the Philippines and the US on projects such as the Model Secure Port project, the International Ship and Port Security Facility Code to ensure the safety and security of the transport of passengers and cargo. The US-ASEAN Business Council, Inc. (UABC) has set a US Senior Executives Mission to the Philippines on 14 to 16 September 2004. The UABC which is composed of top 200 companies in the US is the premier national organization in the US representing private sector interests in the ASEAN region which aims to promote cooperation in the areas of trade, investment and technology. The government is working for the possible inclusion of the Philippines in the list of countries for consideration as one of the recipients of development funding in 2005 from the Millennium Challenge Account where President Bush has requested US Congress for a total of \$2.5B appropriations for 2005. Mr. Abadilla also informed the Committee about the possible amicable resolution of the telecommunications case involving several Filipino telecommunications executives who were served subpoenas by the US District Court of Hawaii. The Court eventually nullified the subpoenas, ruling that the companies have not established sufficient minimum contacts with the US so as to enable its courts to exercise jurisdiction over them. The US department of Justice had appealed said ruling, and the matter is pending before the Hawaii District Court.

According to Mr. Abadilla, an important aspect of RP-US relations is the development assistance that the Philippines has been receiving. Economic development, especially in Mindanao, has been a key concern and the major objective of US assistance. Part of the USAID commitment is the \$30M supplemental Economic Support Fund in development support of the peace process with the MILF.

Mr. Abadilla pointed out that the largest remittance to the Philippines originates from the US reaching \$3.682B in 2002 alone. The US is supporting the government's efforts to increase remittances from Filipinos abroad through the use of the facilities of credit unions to expedite remittances and minimize transmittal costs. Based on the 200 US Census, there were 1,852,542 Americans who claim Filipino ancestry. Filipinos, mostly residing in California, Hawaii, Illinois, New Jersey and New York are the third largest migrant group in the US after the Mexicans and the Chinese. They are also an emerging political force. Organizations like the National Federation of Filipino American associations, or the NaFFAA, is the major umbrella organization of Filipino-American organizations in the US which lobby for causes beneficial to Philippine interests and the Filipino-American community. The Philippine government with the help of the Filipino-American community is exerting all efforts to get more benefits for the veterans by pushing for legislation pending in the US Congress.

In commemoration of events relating to the Leyte Landing and significant events during World War 2, Mr. Abadilla informed the Committee that government agencies coordinate with the US Embassy on the holding of activities that would show historical highlights of RP-US relations.

Before stating her response to the presentation, the Chair inquired from Mr. Abadilla if DFA has knowledge of any attempt or initiative on the part of Australia and reportedly another country to establish a base or a camp or troops or facilities here in Philippine territory extensively to help in the anti-terrorism move jointly participated in by both the Philippines and the US. Mr. Abadilla replied in the negative.

In response to the presentation of Mr. Abadilla, the Chair stated that there is a clear need for a comprehensive and critical review, re-examination and re-assessment of Philippine relations with the United States. She said that if Philippine foreign policy is, indeed, the handmaiden of our goals as a nation, it should be informed by a national strategic plan. She lamented that except for the NEDA-crafted Medium Term Philippine Development Plan, there is no single document that contains the plan detailing our critical and vital interests, identifying our human and natural resources and linking our interests and our resources. As a result, she stressed, our stance in regard to other states and regional groupings in the UN are "positions of the moment" neither informed by history nor by strategic interests. This is the reason, she said, that Philippine foreign policy has failed to address the nation's needs in terms of job creation, eradication of poverty, increased trade and overall enhancement of the quality of living of every Filipino.

Our relations with the United States is no exception, the Chair pointed out. Tied up in the Mutual Defense Treaty and the wrong perception of "special relations" borne out of nearly 50 years of colonial experience, the Philippines has failed to remove the stigma that it is "the tail of the American kite". She stressed that the DFA should have made a comparative study as to the amount of aid given to our neighboring nations so we would know if the Philippines is getting enough assistance. She cited that while former President Marcos might have initiated a new direction in foreign policy by establishing relations with then USSR. China and many middle eastern countries, subsequent administrations failed to have the imagination nor the strategic perspective

to move away from the umbilical cord that links us to the United States. She said that the Committee will craft a resolution declaring independence from US foreign policy.

The Chair decried the lack of redirection of our foreign service personnel to generate economic intelligence that would identify the markets of our services and products, identify areas where our products and services may have a comparative advantage and identify services and products which may be needed by different countries. Our legations abroad send to the home office news clippings instead of analyses and in some countries there is a military attaché where clearly there is a need for a trade attaché. There is also a long overdue merger of the DFA and the DTI which until now has not happened. The Chair then requested Mr. Abadilla to submit to the Committee the list of Philippine legations where we have military attaches.

On what needs to be done in regard to the RP-US relations, the Chair made the following suggestions that the DFA should seriously consider:

1. In the global campaign against terrorism, the training and education of the US extends to our military and police officials but it should be linked to our own needs as we cope with our own brand of terrorism. We see that the joint and combined exercises between RP and US for interoperability serve the interests of the US in large measure. We are not outpost of the US-led war against terrorism. Let us seek assistance in areas where we lack resources like forensics, DNA testing, jail management, fire protection and disaster management, among others;
2. Instead of the US proposing a "security community" a la Europe, we should propose a Regional Rapid Reaction Experts Team that will deal with all forms of transnational crimes including terrorism. We should move nearer to our ASEAN neighbors and even move nearer to China who is also our neighbor and who unfortunately continues to be described by the US as the greatest threat in the region;
3. President Bush has made a "commitment to designate the Philippines as Major Non-NATO Ally (MNNA)" to give us a chance to work with the US on research and development in the field of military matters and supposedly this will give us more access to American defense equipment and supplies. The Chair clarified that this not yet an accomplished fact but simply a commitment to designate the Philippines. The Chair expressed doubt whether this is still in the agenda of President Bush following the de la Cruz hostage situation;
4. In a RAND study which has been declassified, it has been stressed that American leadership has declared that "the Philippines will take care of its own defense." Callously, this declaration comes in the heels of the claim that the Philippines is the "most strategically located" country to further the security interests of the US in the region. The Philippines should be smarter and ask the Americans in terms of education and training, equipment, technical know-how and the like for our AFP and PNP in exchange of cooperation with them.
5. On the trade front, relations with the US could be better if we can have an agreement to ease our double digit unemployment with a more relaxed immigration policy for our "nurturing professionals" like occupational therapists, physical therapists, caregivers, nurses and doctors. The Bush

proposal for “guest workers status” meant to court the vote of the Hispanics should also be extended to Filipinos.

6. The Chair believes that relations with the US can be fruitful if we are able to articulate quite clearly “what we have that they need and what we lack that they have and we need” and therefore bring about a mutually agreeable relationship.

Sen. Flavier asked if the DFA can confirm the news that the USAID have stopped supporting our Family Planning Program especially on the contraceptives supplies; and the role of China in terms of its trade with the Philippines. Mr. Abadilla said that he did not have the figures on China but will submit it to the Committee. On the question regarding USAID, Sen. Biazon helped the DFA in providing the following information: in 2002, the Philippines received \$5M but the following year, 2003 it was reduced to \$3M. This year 2004, the Philippines did not receive any aid from USAID to support our Family Planning Program.

In reply to the query of Sen. Biazon on whether or not the DFA has made a serious study or evaluation on the RP-US relations especially on the issue of security vis-à-vis the Mutual Defense Treaty of 1951, Mr. Abadilla said that he is not aware if a study had been made but he pointed out that the MDT still has many useful purposes for our country. When asked by Sen. Biazon if American forces joining the military exercises participate in actual combat, he clarified that they do not participate in actual combat but only in civic and humanitarian work. As to the reported death of three Filipinos during a military exercise, Mr. Abadilla said that they have a report from the Armed Forces of the Philippines on the matter. Replying to further questions of Sen. Biazon, Mr. Abadilla said that the Mutual Defense Board still exists and meets once a year but activities in the lower level are on-going with recommendations submitted to the board.

Considering that joint military exercises are scheduled in the first quarter of 2005, Sen. Biazon asked that the Oversight Committee on the VFA be constituted, the Chair said that a request to the Senate President will be made to elect its members. As to the appeal of Mr. Abadilla for budget of the VFA Commission, an oversight committee composed of various government agencies headed by the DFA, the Chair requested the latter to submit a formal letter addressed to the Chair so the same could be discussed in the Finance Committee.

The Chair stated her support to the statements recently issued by the Secretary General of the United Nations, describing the Iraq war led by the United States as illegal. She cited Mr. Kofi Annan in his statements to the press who emphasized that the UN Security Council Resolution 1441 was not sufficient to serve as legal basis in international law for the use of armed force against the sovereignty of Iraq. She stated that it is the position of the Chair that Philippine deployment of troops to Iraq cannot be called part of a peacekeeping operation for the simple reason that the US war against Iraq was not authorized by the UN Security Council nor has there been any subsequent UN Security Council resolution that approved the sending of a peacekeeping operation. The Philippine government’s decision to send peacekeeping contingent was motivated not by law but by economic and electoral considerations. It is uncertain to what extent Philippine deployment was an essential condition to Filipinos to obtain jobs in Iraq, she added. She cautioned the DFA that the next time the government sends a so-called contingent anywhere, there should be a very careful analysis. Sen. Biazon shared the views of the Chair.

## RP-EU RELATIONS

The Chair called on Ma. Fe Pangilinan Klingert, Executive Director of the Office of European Affairs, Department of Foreign Affairs, to start her presentation.

Ms. Klingert stated that the European Union is a very important partner of the Philippines in our political, social and economic development. Our relations with the EU now reflect the consciousness and perceptions of our international environment, our own internal environment, our domestic needs and our national interests. As of May 1, 2004 there are already 25 EU member-states.

According to Ms. Klingert, the beginnings of the European Union, as we know it today, could be traced to the European Coal and Steel Community (ECSC), which aimed to integrate the coal and steel industries of Western Europe. It was established after the World War II in 1950 by six countries; Belgium, West Germany, Luxembourg, France, Italy, and the Netherlands. It was such a success that within a few years the same six countries decided to go further and to integrate themselves. In 1957, they signed the Treaties of Rome creating the European Atomic Energy Community or EURATOM and the European Economic Community (EEC). The member-states set about removing trade barriers between them and forming a common market. In 1967, the institutions of the three European communities were merged. From then on, there was a single Commission, a single Council and the European Parliament. The Treaty of Maastricht of 1992 introduced new forms of cooperation between member-state governments. By adding intergovernmental cooperation from the existing community system, the Maastricht Treaty created the European Union.

Over the years, Ms. Klingert emphasized, the EU has grown in size. It is a key player in world affairs and it wields considerable influence in the international organizations such as the UN and the WTO. Two of the UN Security Council's permanent members are EU countries, the United Kingdom and France. Under the EU Constitutional Treaty, the EU member countries will share common foreign and defense policies. The EU's enlargement last May 1 from 15 to 25 countries increased its stature as the world's most successful model of regional integration. The 25 member EU is the biggest single economic market in the world with nearly 550 million people and accounts for 27% of the world's GDP.

Ms. Klingert said that the European Economic Community, the precursor to the EU, was the first dialogue partner to establish informal relations with ASEAN in 1972 through the Special Coordinating Committee of the ASEAN. Formal relations between the Philippines and the EU started in 1980 with the signing of the ASEAN-EC Cooperation Agreement. In 1984, The Philippine-EC framework agreement for development cooperation was concluded providing the basis for EU development projects in the Philippines which continue up to today. The European Community opened its mission in the Philippines in 1991. The RP-EC SOM or Senior Official's Meeting established in 1997 is the major avenue for political dialogue between the Philippines and the EU. The Philippines also deals with the EU at the multi-lateral level where issues of mutual concerns are discussed, this include the ASEAN-EU Ministerial Meeting, Asia-Europe Meeting or ASEM, the ASEAN Regional Forum and the ASEAN Post-Ministerial Conference.

It was stressed by Ms. Klingert, that EU supported the Philippines in its fight against terrorism and its search for lasting peace in Mindanao through specific projects for poverty alleviation, namely; support for agrarian reform communities in Central Mindanao, and upland development program for Southern Mindanao. They have

provided about 18.3M Euros in grants. EC and EU member states have made pledges to the Multi-Donor Trust Fund for Mindanao, EC's contribution is worth 12M Euros.

On our economic relations with EU, Ms. Klingert informed the Committee that the total Philippine trade in 2003 amounted to 8.8B USD, exports at 5.8B USD and the balance of trade in favor of the Philippines at 2.8B USD. The EU is the Philippines' third largest export market. About half of Philippine exports to the EU consist of animal and vegetable oils, foodstuffs, clothing and jewelry. The Philippines enjoys reduced tariff privilege under the EU's Generalized System of Preferences or GSP. Unfortunately, the Philippines had not taken full advantage of this privileges because of lack of awareness of significant degree of understanding of the EU's GSP. The EU has overtaken both Japan and the US as the Philippines' top source of direct investment. It has contributed an average of 340M Euros a year over the past eight years making up more than one – fourth of the total foreign direct investment or FDI's into the country. Britain is one of the leading investors in the Philippines for the last ten years. The single largest British investment project in the Philippines at present is the Malampaya Offshore Gas Fill which is also currently the largest natural gas project worldwide.

Regarding development assistance, Ms. Klingert stated that the Philippines is the largest recipient in Southeast Asia of EU long-term development assistance. Over the past 23 years, EU has financed 21 large development projects or a total of 280M Euros. Over 56% of this assistance is concentrated on area-development projects to improve the living conditions of rural populations. The main thrust of EU Development Cooperation Policy is poverty alleviation with multi-sector intervention in the poorest provinces in the country, Mindanao and the mountain region of Luzon.

The EU, Ms Klingert said actively supports women's rights programs in the Philippines. Recently, it completed its Women's Health and Safe Motherhood Project in December 2003. It also has an access to Justice for the Poor Program which is due to be implemented and it empowers women as one of the priority sectors. EU is potentially a lucrative source of tourism revenue that can be tapped.

According to Ms. Klingert, the EU is home to approximately 470,000 to 500,000 overseas Filipinos and they remit about \$400 million. In 2003, about 38,000 Filipinos immigrated to the EU. Filipinos enjoy very good reputation for being highly-skilled, hardworking and adaptable. Our workers have established niches in the health care sector, service sector, and domestic services particularly in Scandinavian countries, UK, Ireland, Austria and Italy. New EU states, however, do not have definite policy of opening up employment opportunity and most EU countries do not accept contract workers or domestic helpers. Ms. Klingert said that RP is now seeking to negotiate labor agreements and cooperation.

To strengthen bilateral ties with the EU member countries, Ms. Klingert recommended high-level visits/exchange; conduct mutual exchange of bilateral political consultations and forge bilateral framework agreements that will include trade, political, labor and cultural exchanges as well as social security agreements.

Before stating her response to the presentation, the Chair said that the Committee will draft a resolution expressing the sense of the Senate on RP-US relations and another resolution expressing the sense of the Senate on RP-EU relations.

The Chair stated her response to the presentation as realities that the DFA should be prepared to confront before we can even hope to intensify our relationship with the EU countries. These are:

- 1) Substantial increases in Official Development Assistance or ODA flows from member-states in the EU are not very likely;
- 2) Philippine companies which are less competitive than companies from other Asian countries must take full advantage of the EU scheme for promoting trade with Europe and European investments in the Philippines;
- 3) The Philippine government must learn from the experience of other Asian countries that have been more successful in increasing their exports to Europe and stimulating European investments in their countries; and
- 4) There are several constraints to the access of Filipinos to high-skilled high-paying jobs in Europe, foremost of which is the language barrier.

With respect to the EU itself, the Chair said that the Philippines should hope for the following:

- Local government capability building;
- Integrated rural development project on environmental protection;
- NGO projects on women's credit, tropical drugs and aids; and
- Human rights and good governance.

Sen. Pimentel pointed out that the DFA should work on for more bilateral agreements with the EU and to explore some kind of agreement with appropriate member-nation of the EU to allow our legal scholars in the DFA to study the Law of the Sea. He said that every time there is a dispute regarding the Spratlys, Sabah or some contested areas, we have to hire lawyers from the US to handle our case. As an archipelagic country, we need more trained lawyers to handle these kinds of cases. The Chair added that the Foreign Service Institute should draft a list of Filipinos who could be considered experts in international law. Ms. Klingert informed the Committee that the FSI have gathered those with expertise in different fields and its called the Core Development Volunteers.

The Chair said that after the break, the Committee will tackle the different treaties and conventions presented by the DFA. The hearing was adjourned.