

Australia-Philippines Relations: Connecting the Spokes

The 4th Annual Australia-Philippines Dialogue
Manila, 19 July 2019

POLICY BRIEF

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ABOUT THE DIALOGUE

Manila-based think-tank Asia Pacific Pathways to Progress (APPF) and Griffith Asia Institute (GAI) co-organised the 2019 Australia-Philippines Dialogue on July 18-19, with the support of the Australian Embassy in the Philippines. This year's theme was 'Connecting the Spokes' in reference to the hub and spokes model with the United States as the centre. The dialogue aimed to identify the nuances of quasi-alliances and the ways that spokes connect to each other. The dialogue also evaluated the comprehensive partnership between Australia and the Philippines. An objective evaluation paved the way for quality recommendations on how to sustain the positive trajectory of the relationship in the face of regional challenges.

ACKNOWLEDGEMENTS

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Introduction

Since the establishment of formal diplomatic relations in 1946, Australia and the Philippines have enjoyed a robust and mutually beneficial relationship. Common interests and shared values have seen Canberra and Manila pursue cooperation on multiple security, defence and development issues, and cultivate strong people-to-people links over time. In November 2015 the two nations elevated their bilateral relationship to a Comprehensive Partnership, acknowledging the increasing breadth of the relationship across political and economic relations and cooperation in defence, law and justice, education and development.

And yet, despite the recognition of shared interests and increased cooperation, the bilateral relationship between Australia and the Philippines remains somewhat underdeveloped, relying on crisis engagement and response measures as the building blocks of engagement. A more coherent and strategic approach is needed.

Opportunities exist within the framework of partnership for the two nations to work more deliberately—through various channels—to address emerging issues of critical significance—including—cyber security and artificial intelligence, and to further deepen education and economic ties, maritime, counterterrorism, transnational crime as well as disaster relief cooperation. Importantly, Australia and the Philippines can draw on what is close to 75 years of diplomatic relations to work collaboratively within the regional architecture to advance common interests in the Indo-Pacific.

This policy brief considers the Comprehensive Partnership between Australia and the Philippines and explores opportunities for both nations to build on the positive trajectory of their relationship in the face of regional geopolitical competition.

Key recommendations offered would enhance cooperation between the two nations in four priority issue areas: i) cooperation in an era of strategic competition; ii) regional maritime security; iii) counter-terrorism activities; iv) trade, investment and economic relations. These recommendations are informed by dialogue among policy-makers, scholars and practitioners at the Philippines-Australia Dialogue, jointly convened by Asia Pacific Pathways to Progress (APPF) and the Griffith Asia Institute (GAI) in Manila on 18-19 July 2019.

Overall, findings indicate that deeper cooperation between Canberra and Manila can be achieved within the framework of the existing partnership, and that opportunities exist for both nations to further engage Washington and other like-minded partners to advance an inclusive regional order. Timing is of the essence. Positive sentiment, particularly in the post-Marawi era will enable deeper bilateral engagement in priority areas, although if not seized quickly the opportunity may pass.¹

Context

As treaty allies of the United States (US), the Australia-Philippines' bilateral relationship partly operates within the context of a hub and spokes system of alliances in the region. Australia and the US are the only two countries that have formal Status of Visiting Forces Agreements with the Philippines. Australia and the Philippines have a shared history of participation in regional multilateral fora and defence cooperation dating back to the early decades of the Cold War. Defence alliances with the US and common interests concerning adherence to the rules-based international order have seen Canberra and Manila pursue cooperation on regional issues such as terrorism and maritime security with notable success.

Critical events threatening regional security, notably the Marawi siege by ISIS-linked fighters in 2017, have tested the strength of the security relationship and demonstrated that both nations have much to offer and learn from each other. Australia continues to actively support the Armed Forces of the Philippines through Operation Augury-Philippines, which is focused on sharing information and experiences relating to urban terrorism. Canberra is also actively contributing to the post-conflict environment, partnering with state interagency groups like the Task Force Bangon Marawi to foster an understanding of the importance of civil-military relations in post-conflict reconstruction efforts.

There is strong momentum in the post-Marawi period to deepen bilateral relations under the Comprehensive Partnership. In the context of a rapidly changing region, characterised by strategic competition between the US and China, trade and economic tensions and divergent interests and political values, Australia's role in the regional security architecture and Australia-Philippines relations are at a critical juncture. As articulated by Australian Ambassador to the Philippines Steven Robinson: "Australia will not sit back and passively await our fate in the face of a major power contest ... we will play our part to shape the type of region that we want".²

Shaping a regional order favourable to both Australia and the Philippines requires both states to work collaboratively, bilaterally and within the regional architecture to advance common interests in the Indo-Pacific. The release of the Association of Southeast Asian Nations' (ASEAN) Indo-Pacific Outlook reinforces ASEAN norms and mechanisms to enhance ASEAN centrality in an environment of regional and global challenges. ASEAN's Indo-Pacific Outlook complements Australia's conception of the region and offers a framework within which Australia and the Philippines might cooperate to advance regional security and dialogue for a stable and prosperous Indo-Pacific.

While Australia and the Philippines have built a strong and mutually beneficial relationship, the challenge is to look for further opportunities that "deepen [their] ties and advance [their] common interests" in a rapidly changing region.³ Canberra and Manila can look for opportunities within the existing Comprehensive Partnership to respond to issues of critical significance that have emerged since the 2015 agreement, including cyber security and artificial intelligence. Ongoing enhanced cooperation in maritime security, counterterrorism, transnational crime and disaster relief and deeper economic integration would also strengthen bilateral ties and advance common interests.

Cooperation in an era of strategic competition

The Indo-Pacific—albeit still a contested concept—is understood in this policy brief as geographically the primary site of US-China strategic contestation, spanning geopolitical, technological and trade spheres. Political discourse is polarised by Washington's hawkish view towards Beijing's assertive agenda. Australia and the Philippines, both US allies, sit at the crossroads of this great power contest. For both states, responding to the evolving contours of the regional strategic and economic landscape brings significant challenges.

An increasingly transactional and inward-looking US, and a more assertive China present challenges for the region and traditional partners. Since the election of President Trump, both Australia and the Philippines have been faced with a less conventional and less predictable US foreign policy. US retreat from multilateral institutions continues to raise concerns amongst allies about the credibility of Washington's commitment to its alliance partners, the rules-based order it helped to establish, and to the Indo-Pacific more broadly.

At the same time China's influence projection in the region—evidenced most visibly through the militarisation of islands in the South China Sea—suggests that Beijing is undermining the rules-based international order in pursuit of its national agenda. Ongoing trade tensions with the US-China trade dispute have the potential to dramatically disrupt global supply chains and impact regional and international trade flows.

Australian and Philippine approaches to the region are framed by the evolving tone and texture of US and Chinese policy positioning towards each other, and towards the region. Increasingly their positions are fraught with complexity and complication. Both Canberra and Manila enjoy longstanding defence relations with Washington, while also sharing robust economic relationships with Beijing. For Australia, China is a top trading and economic partner, and the Philippines is gradually moving closer to China, facilitated by renewed economic and diplomatic relations under the Duterte government.

Neither Australia or the Philippines can afford to be passive actors in the current environment. Both can play a proactive role in shaping and maintaining a stable and prosperous Indo-Pacific region, even amid the potential fallout from escalating US-China strategic rivalry. Through participation in regional ASEAN-centred frameworks, including the East Asia Summit, Australia and the Philippines can synergise bilateral initiatives to bolster ASEAN as the fulcrum of regional multilateral diplomacy. Continued support of ASEAN and adherence to established norms and international law, such as ASEAN's Treaty of Amity and Cooperation, are central to defending the existing security architecture in the region.

Possible ways forward:

1. That Australia and the Philippines continue to deepen their alliance partnerships with the US and with each other to encourage Washington's continuing engagement in the region. This could include deepening spoke-to-spoke engagement, including through the regional security architecture to promote the international rules-based order, while mitigating the potential for further great power competition.
2. That Australia and the Philippines explore further partnership opportunities with other important regional actors like Japan. With Japan already pursuing new forms of security cooperation, in particular HADR and cybersecurity capacity building with ASEAN states, tripartite and minilateral cooperation between Canberra, Manila and Tokyo can enable flexibility in managing security challenges, facilitate greater policy consensus where mutual interests converge, and constructively involve China in the Indo-Pacific.

Regional maritime security cooperation

The South China Sea remains a major flashpoint for states across the Indo-Pacific region. Beijing is increasingly perceived as challenging the rules-based international order with its encroaching territorial claims, pursuit of advanced weapons systems, missile testing and greyzone warfare tactics. Despite the landmark ruling handed down by the Permanent Court of Arbitration in 2016—invalidating China's nine-dash line claims—Beijing continues to project de facto control of the waters and has reportedly deployed fleets of maritime militias to patrol and challenge foreign forces.

For Australia, Beijing's rejection of the 2016 arbitral ruling under the United Nations Convention on the Law of the Sea (UNCLOS) signals a worrying disregard for the maritime rules-based order. With almost two-thirds of Australian exports passing through the contested waters, Australia's stake in the South China Sea lies in the preservation of the freedom of navigation and upholding

of international law, as the core principles underpinning its Indo-Pacific view. Beijing's encroachment on the Philippines' EEZs and attempts to enhance naval presence present serious concerns for regional security and defence policy.

Official reports confirm several cases of Chinese warships illegally transiting through the Philippines' territorial waters, with some instances of ship bumping. The Duterte administration has taken a more accommodating line towards Beijing's activities in the South China Sea, than previous administrations. It is an approach that erodes the Philippines's own position on South China Sea issues, while also undermining regional attempts to promote maritime order, including through a Code of Conduct.

Non-traditional security threats such as international terrorism, transnational criminal activity and natural disasters have also emerged in Australia and the Philippines' maritime defence and security agenda. Australia works closely with the Philippines to provide training and education to the Philippines Coast Guard (PCG) and to personnel from the Department of National Defense (DND). Approximately 100 Armed Forces of the Philippines (AFP), PCG and DND personnel undertake training and education initiatives in Australia each year. This is in addition to the several hundred that participate in training provided through Australian Defence Force mobile training team courses delivered in the Philippines in the areas of command operation law, maritime strategic studies, defence intelligence research and analysis, and aviation safety.

In 2013 Australia deployed humanitarian assistance in the wake of Typhoon Haiyan and in 2015 following Typhoon Koppu, demonstrating Canberra's commitment to disaster relief assistance. Continued maritime cooperation between Australia and the Philippines can be a central pillar of bilateral relations given the multidimensional nature of traditional and non-traditional challenges at play.⁴ Rapid changes in the maritime domain call for a deeper and expanded scope of appropriately targeted cooperation between both states.

Possible ways forward:

3. That Australia and the Philippines look to increase maritime domain awareness and information sharing activities including counter-terrorism and anti-piracy activities to support enhanced strategic and operational coordination.
4. That Australia and the Philippines look to increase their cooperation in areas of non-traditional maritime security to include marine environmental protection, marine terrorism, search and rescue, humanitarian and disaster relief operations, capacity building initiatives towards community and disaster resilience, aquatic resources and fisheries management, and coastal welfare.

Counter-terrorism

Counter-terrorism initiatives play a central role in the Australia-Philippines bilateral relationship. Both states signed a Memorandum of Understanding to Combat International Terrorism in 2003, demonstrating the convergence of their strategic perspectives and commitment to the following forms of cooperation: exchange of information and intelligence; joint training exercises; capacity-building initiatives; sharing best practice; and regional consultation on issues relating to international terrorism. Australia's cooperation with the Philippines on counter-terrorism complements existing initiatives in place between the Philippines and the US.

The Philippines' broader region remains susceptible to outbreaks of political extremism and violence. Indonesia and Malaysia have prison populations sympathetic to, or affiliates of, Jemaah Islamiyah (JI), and there is also the growing disenfranchisement of Myanmar's Rohingya population and a history of Uyghur movement throughout the Middle East.⁵ These provide a set of volatile conditions for the region and warrant Australia's attention. Canberra's 2017 announcement to maintain bilateral engagement with the Philippines in counter-terrorism cooperation and capacity building suggests Australian policy-makers are refocusing their attention in the immediate region beyond active threats.

Australia's stepped-up counter-terrorism role in the Philippines demonstrates how the Australia-Philippines defence relationship extends beyond regular interactions, such as military exchanges, to include capacity building initiatives in the areas of counter-terrorism and maritime security. Australian counter-terrorism forces have gained significant operational experience from Marawi, particularly in dealing with extremist activity in urban areas and engaging local communities in post-conflict reconstruction. Joint counter-terrorism initiatives have benefited Philippine forces, who in turn have gained technical experience from their Australian counterparts, including in the areas of military training and education.⁶

There is currently great momentum and interest in bilateral counter-terrorism initiatives which both states can capitalise on. Australia has an opportunity to showcase its expertise in this area and to carve out a set of values and interests to guide joint efforts. The Philippines too has an opportunity to benefit from Canberra's stepped-up engagement in joint counter-terrorism initiatives and share its expertise in combatting urban warfare and engaging local communities in the peace process.

Scope exists for Australia and the Philippines to further strengthen their counter-terrorism cooperation through engaging epistemic communities in capacity building. Track 1.5 diplomacy and higher-education initiatives can foster the sharing of expertise between government, civil society and the private sector to support a deeper security

partnership between Canberra and Manila.⁷ Providing opportunities for members to study in Australia would deepen the bilateral defence relationship.

Australia has lent active support to programs seeking to counter violent extremism, including the development of the Philippine National Action Plan on Preventing and Countering Violent Extremism. However, gaps exist when it comes to implementation and including civil society within the process. The opportunity exists for Australia to build on this goodwill and the well-established military-to-military relations to deepen its commitment to capacity building initiatives, including civil society to counter violent extremism at the local level in the Philippines in ways that help to build resilient communities.

Australian universities have leading academics and policy practitioners in the field of counter-terrorism who can share this knowledge capital, making it well positioned to develop and carry out post-graduate and executive education in the area of counter-terrorism in the Philippines. While initiatives undertaken in this space are usually conducted within the ambit of security, there is a growing recognition in global and local policy communities that such activities are inherently linked to humanitarian development and aid outcomes. Yet this recognition is yet to fully translate into integrated community approaches on the ground. There is a need for capacity building to extend beyond conventional Special Forces and the Armed Forces of the Philippines to support integrated approaches to community-led policing activities within a humanitarian framework.

Possible ways forward:

5. That Australia and the Philippines build on their history of counter-terrorism cooperation to enhance capacity building through technical training and education. For example, Australia to leverage its reputation as a provider of quality education and offer postgraduate and executive education courses on counter-terrorism for the Philippines government, security forces and members of civil society engaged in the fight against violent extremism. Such programs would foster shared knowledge between policy makers from both countries.
6. That Australia works with the Philippines to support data-driven and research-orientated strategies and policies that seek to counter violent extremism to inform cooperative counter-terrorism initiatives.
7. Build on cooperative defence and development activities to support civil society organisations engaged in combating violent extremism with the view of building resilient communities. Joint counter-terrorism initiatives will be complemented by sustained programs that address violent extremism at the local level, for example focusing on education, economic development and youth.

Trade, investment and economic relations

The ongoing US–China trade dispute has implications for the Australian and Philippine economies. Protectionist trade measures implemented by both the US and China have contributed to slower merchandise trade growth in the Asia-Pacific region. While some Southeast Asian economies are expected to benefit from China and the US diverting imports and the inflow of foreign investment, the Philippines is not considered to be one of the top beneficiaries from the trade dispute. Some analysts note that ongoing geo-economic tensions may also negatively affect the Philippines' service sector.⁸

Australia's economic growth remains heavily dependent on international trade and investment links with the rest of the world, making it vulnerable to external shifts in the global market. Both Australia and the Philippines are proponents of enhanced regional economic integration and are committed to the implementation of the Regional Comprehensive Economic Partnership (RCEP).⁹ In the current climate of strategic competition and trade tensions between the US and China, Australia and the Philippines would do well to deepen their partnership in areas concerning trade, investment and economic relations. Deeper economic integration is needed to continue the positive trajectory of bilateral relations in the face of regional challenges.

Despite a robust strategic relationship, commercial trade between the Philippines and Australia currently sits a little below AUD\$5 billion. This is largely the result of Australia and the Philippines being economic competitors rather than partners, with both trading resource and agricultural commodities. The Philippines currently ranks 23 as Australia's trading partner, compared to Singapore (9), Thailand (10), Malaysia (11), Indonesia (12) and Vietnam (13).

The Philippines' increasing urbanisation, growing middle-income class and young population makes it one of the most dynamic economies in Southeast Asia. The Philippines has access to capital, management skills and expertise in a range of sectors that are important for production and employment in Australia. There is a need for the Australian Government to encourage Australian firms and their corporate leadership to invest in the Philippines.

Australian and Philippine trade takes place within the framework of the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA), however the extent to which Australian businesses feel the direct benefit of the FTA is unclear. Currently trade between the Philippines and Australia is largely driven by multilateral trading systems rather than bilateral exchange. Australia is a significant contributor to the production processes

of various countries in Asia, but there is much more economic potential that can be realised mutually with the Philippines. Australia sits at the upstream end of the production process and the Philippines is somewhere in the middle, meaning that there is a lot of potential for trade along the value chain if that production trade network passes through both countries.

With the Philippines expected to run out of its main gas supply by 2023–24, Australia is well positioned as the world's biggest exporter to meet market demand. Demand for Australian grains and horticulture remains strong, fuelled by the Philippines' steady run of 6 per cent plus growth. Regular direct flights from Australia to Manila facilitates the delivery of fresh produce and also provides Australia with the opportunity to help improve domestic supply chains.

The Philippines is becoming the fastest growing education market for Australia, with a significant rise in the number of students choosing Australia as their study destination of choice, albeit from a low base. Australian universities are regarded as leading institutions for Filipino students studying in science and technology-driven fields, in addition to the traditional areas of business and health. An increase in the number of Filipino international students reflects a shift in the Philippine economy and a changing trade profile, which Australian businesses can leverage.

Australian businesses from the cyber sector and technical services are also beginning to see more traction in the Philippines' market. Digital finance, data analysis and science and technology are among the promising areas of engagement. To date most Australian investment has been concentrated in Manila and Cebu. The Clark Freeport and Special Economic Zone (Clark) is attracting more interest and with its own international airport, it is well positioned for Australian businesses who are export orientated.¹⁰

Possible ways forward:

8. Mutual investment between Australia and the Philippines is the key area that would transform the economic and trade relationship, particularly in the new economy (digital infrastructure, data analysis, science and technology). The Australian Government can encourage Australian firms and their corporate leadership to invest in the Philippines.

Conclusion

In the current climate of rapid change and uncertainty, Australia and the Philippines can draw on a robust history of diplomatic relations to deepen their bilateral partnership and work together within the existing regional architecture to shape a regional order favourable to both states. Canberra and Manila can

demonstrate enhanced spoke-to-spoke engagement including through the existing regional security architecture, to promote a favourable regional order and mitigate the potential for further great power competition. Canberra and Manila can also engage Washington and other partners in the region, to sustain a stable and prosperous Indo-Pacific.

At the bilateral level, the existing Comprehensive Partnership provides a framework for Australia and the Philippines to respond to new challenges and enhance cooperation across a range of strategic domains. As Australia and the Philippines approach their 75th anniversary of diplomatic relations, the two nations may consider how to work more strategically to address emerging issues of critical significance to both states and the region more broadly. There is scope for Canberra and Manila to deepen bilateral relations in maritime security, counter-terrorism and trade. Enhanced cooperation in these areas will support common interests and shared values, while advancing the tone and tenor of bilateral engagement in the face of rapid regional change.

Notes

1. Peter Dean, 'Entering the Goldilocks Zone? Strategic Inertia and New Opportunities in the Australia-Philippines Relationship' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019 <https://appfi.ph/resources/commentaries/2892-entering-the-goldilocks-zone-strategic-inertia-and-new-opportunities-in-the-australia-philippines-relationship>.
2. Steven Robinson AO Australian Ambassador to the Philippines, 'Australia and the Philippines in an Evolving Region' (speech at the Philippines-Australia Dialogue, Manila, 18 July 2019), <http://philippines.embassy.gov.au/mnla/speech190718.html>.
3. Robinson, 'Australia and the Philippines in an Evolving Region'.
4. Dianne Faye Despi, 'Maritime Security Cooperation: The Philippine Experience' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019.
5. Micah Batt, 'Support for Australian Involvement in the Philippines', *ASPI*, 27 September 2017, <https://www.aspistrategist.org.au/support-for-australian-involvement-in-the-philippines/>.
6. Jacinta Caroll, 'Counter-Terrorism' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019.
7. Francis Domingo, 'Enhancing Counterterrorism Cooperation Through Transnational Communities' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019.
8. Mahinthan Joseph Mariasingham, 'Trade, Investment and Economic Relations' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019.
9. Negotiations for the Regional Comprehensive Economic Partnership (RCEP) are ongoing, but in November 2019 India withdrew its commitment from the regional free trade agreement. RCEP is anticipated to be the economic architecture of the Indo-Pacific.
10. Rowan Callick, 'Connecting the Spokes: Trade, Investment and Economic Relations' presentation at the Philippine-Australian Relations: Connecting the Spokes, Manila, 19 July 2019.

ABOUT THE GRIFFITH ASIA INSTITUTE

The Griffith Asia Institute (GAI) is an internationally recognised research centre in the Griffith Business School. We reflect Griffith University's longstanding commitment and future aspirations for the study of and engagement with nations of Asia and the Pacific.

At GAI, our vision is to be the informed voice leading Australia's strategic engagement in the Asia Pacific—cultivating the knowledge, capabilities and connections that will inform and enrich Australia's Asia-Pacific future.

We do this by: i) conducting and supporting excellent and relevant research on the politics, security, economies and development of the Asia-Pacific region; ii) facilitating high level dialogues and partnerships for policy impact in the region; iii) leading and informing public debate on Australia's place in the Asia Pacific; and iv) shaping the next generation of Asia-Pacific leaders through positive learning experiences in the region.

ABOUT ASIA PACIFIC PATHWAYS TO PROGRESS FOUNDATION, INC

Established in 2014, Asia Pacific Pathways to Progress Foundation, Inc. (APPF) is an independent policy think tank that aims to promote peace, development, and cultural understanding for peoples of the Philippines and the Asia Pacific through research, international dialogue, and cooperation. It is the Philippine member of the regional network ASEAN Institutes for Strategic and International Studies. The organization's work focuses on the implications of international and regional developments for the Philippines and its foreign relations. It conducts research, international exchanges, and events related to our dedicated programs on regional security, maritime affairs, connectivity and integration, and China.

DIALOGUE COMMENTARIES

Commentaries based on the Dialogue presentations are available to read in full at: tinyurl.com/dialogue-commentary



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