

In the same way that the Chinese economy has increasingly become decentralized, Philippine relations with China should also be more decentralized.

### Conclusion

Improved economic relations with China will be dependent on more Philippine efforts to diversify into non-traditional export products which in turn will require more intensive market research and information dissemination to support an effective marketing strategy. Government can help by encouraging efficient forms of information gathering in private industries and tapping the local Chinese community. Private initiatives will be important in identifying areas of further export and market penetration.

### ENDNOTES

1. *Far Eastern Economic Review*, March 16, 1991. Shenzhen, one of the major special economic zones in Guangdong, is reported to have enjoyed an average of 500 percent growth a year over the last decade. (See *Far Eastern Economic Review*, May 16, 1991.)
2. *Far Eastern Economic Review*, April 4, 1991.
3. *Asian Wall Street Journal*, October 12, 1992.
4. *South China Morning Post*, December 2, 1991.
5. *Far Eastern Economic Review* 1991 Yearbook.
6. *Philippine Daily Inquirer*, March 6, 1992.
7. *Far Eastern Economic Review* 1991 Yearbook.
8. *Issues and Studies*, vol. 28, no. 2, February, 1992.

## ANOTHER LOOK AT THE PHILIPPINES' "ONE-CHINA" POLICY

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### Changes and Continuities in the International and Domestic Environments

This paper offers a fresh look at the Philippines' China policy. It describes the policy, reviews the rationale, background, and substantive merits, and examines the foreign policy process pertaining to the "one-China" policy.

A re-examination of the Philippines' China policy is an essential part of the on-going redefinition of the Philippines' worldview in the face of radical changes in the post-Cold War international environment most dramatically exemplified by the breakdown of the Soviet Union and sweeping democratization and civil strife in Eastern Europe.

Such a redefinition also takes into consideration parallel changes in the Philippines' post-Marcos domestic environment, among them:

1. *Return to democratic government*— any lingering uncertainties about the form and legitimacy of government were quashed by the results and conduct of the May 1992 general elections;
2. *Turnover in government*— there is a new administration in the Philippines. Thousands of new incumbents are at the helm of executive and legislative offices, many of which have direct foreign policy functions;
3. *Restructuring of Philippine-American "special" relations* — the termination of the military bases agreement ends almost a century of Philippine-American relations that has deeply influenced the conduct of Philippine foreign relations;
4. *Abatement of insurgency* — the rightist, communist, and secessionist insurgencies that had forced the Philippines to be inward-looking in the past two decades, and the rightist military coup threat during the Aquino administration, have significantly subsided.

5. *Renewal of social forces* — the empowerment of non-governmental, private, voluntary organizations has added a new dimension to policy formulation and implementation at the local and national levels in the areas of political reforms, livelihood generation, environment, human rights and justice, disaster preparedness and rehabilitation.
6. *Framework of positive reforms* — the Aquino administration has put in place a set of positive reforms, yet to be fully implemented and operationalized, among them the Foreign Investments Act, the Local Government Code, the creation of the Philippine National Police, the creation of industrial zones such as CALABARZON.

There are, of course, important domestic continuities, mainly:

1. *Serious economic problems* — some 60-75 percent of the people below poverty line, gargantuan foreign debt of \$30 billion (not to mention the domestic debt). Rising unemployment and underemployment rates reaching 10 percent and 33 percent, respectively, and prices escalating by as much as 18 percent. To compound its woes, It has suffered an unusual string of natural disasters, from the July 16, 1990 killer earthquake to the eruption of Mt. Pinatubo last year, with typhoons, floods, droughts, forest fires in between.<sup>2</sup>
2. *Ineffective governance* — Philippine post-World War II governments at both national and local levels have been beset with graft and corruption, weak political leadership, and low popular trust in government, especially over the past two decades.

Two fundamental foreign policy orientations will unlikely change:

1. *Adherence to development diplomacy* — the “harnessing and managing of all available resources of the nation, internal and external, public and private, official and non-official, in the active pursuit and availment of opportunities abroad in the vital areas of trade, investment, finance, technology and aid.”<sup>3</sup>
2. *Deepening commitment to ASEAN* — the ASEAN has increasingly become the framework for Philippine responses to bilateral and multilateral, regional and global issues.

## Background of the “One-China” Policy

Philippines recognizes the People's Republic of China and considers Taiwan as a mere province of the former. Trade and cultural relations with Taiwan on an unofficial basis are, however, accommodated by this “one-China” policy, which was set in the agreement to establish diplomatic relations between the Philippines and the PRC.

It may be useful to review very briefly the background of the Philippines' China policy.

The opening of Philippine diplomatic relations with PRC in June 1975 was considered a bold move domestically and regionally. Thailand recognized Beijing afterwards, in July 1975. Indonesia, Singapore and Brunei established diplomatic relations with the Beijing government only in the 1990s.

But Malaysia established diplomatic relations with PRC in May 1974. Four years earlier, Nixon had conducted his “pingpong diplomacy”. At the time the Philippines recognized the People's Republic of China, the PRC was already a member of the United Nations and a permanent member of the Security Council. The Philippines also opened diplomatic relations with the Soviet Union earlier, in 1974.

The events and conditions that influenced the Philippines' decision to recognize PRC included the Nixon visit to PRC in 1971, the withdrawal of American forces from Vietnam, the unification of Vietnam under a communist government, the success of ASEAN, and the oil crisis in 1973.

The Philippines opened diplomatic relations with the PRC to secure (1) a bigger, more diversified market; (2) alternative sources of oil; and (3) a Chinese guarantee that it would not support the Communist Party of the Philippines and the New People's Army.

## “One-and-a-half China” Policy?

In 1971, Taiwan ceased to be a member of the UN or any of its agencies, the World Bank, the World Health Organization, the UNESCO, the International Atomic Energy Agency and other international organizations. At present, only about 25 nations have diplomatic ties with Taiwan, although about 140 others maintain unofficial trade and cultural relations.<sup>4</sup>

Taiwan's exemplary economic performance and increasing democratization in recent years have gained international recognition for Taiwan, inspiring it to actively reverse its diplomatic isolation

through a campaign of so-called "flexible diplomacy". It has sought to end its diplomatic isolation by entering or rejoining international bodies under various names. Taiwan has been admitted to the Asian Development Bank as "China Taipei" and to GATT as "the Customs Territory of Taiwan, Penghu, Kinmen and Matsu." KMT moderates feel UN readmission should be pursued with equal zeal.<sup>5</sup>

Taiwan takes a "one-China, two-government" posture as against the "one-China, two-systems" policy of PRC. Its moves take advantage of the diplomatic setback of the PRC in the wake of the Tiananmen Incident. The same setback may have goaded Filipinos to think that "China needs as much goodwill as it can muster and would not be in a big rush to sever ties with the Philippines over Taiwan."<sup>6</sup>

The rise of Taiwan as one of the "tiger" economies of Asia in the 1980s significantly upgraded its importance in many Filipinos' eyes. Total trade between the Philippines and Taiwan had risen from \$264 million in 1985 to \$403 million in 1986 and \$516 million in 1987. Taiwanese investment became so large that then Trade and Industry Secretary Concepcion said that Taiwan was replacing US and Japan as top investor in the Philippines.<sup>7</sup>

Taiwan's diplomatic offensive seems particularly directed at the Philippines, considering its vulnerable economic situation. Taiwan has mounted a massive enticement program for congressmen and local government officials. The Philippines became a willing target for such diplomacy. In the words of a leading Philippine daily newspaper, "Taiwan has taken an exploitative attitude towards us mainly because of our unstable economy, the beggarly attitude and ulterior motives of our government officials frequenting Taipei and a fainthearted political leadership."<sup>8</sup>

Some analysts consider the family of President Ramos as sympathetic to this campaign, in view of its strong linkages to Taiwan (Ramos' father, Narciso, served as the last Philippine ambassador to the then Republic of China; and the president's sisters married Taiwanese businessmen).<sup>9</sup>

President Ramos has declared that "We are now emphasizing our adherence to "one-China" policy which is well spelled out in our Memorandum of Agreement with the People's Republic of China and this government in 1974." He went on to say, however, that "This country must recover economically. This country must grow and so we must avail of every opportunity of investments or trade and for tourism," pointing out that "Taiwan happens to be our closest neighbor with a lot of investible surplus and there is a very active mechanism for creating mutually beneficial economic opportunities as they are today."<sup>10</sup>

The elastic diplomacy of Taiwan and the Philippines' disjointed response led to a confusion as to the integrity of the Philippines' "one-China" Policy. No less than the President (Aquino), the Vice-President (Laurel, then Estrada), Senators, Representatives, and Cabinet members contributed to this confusion by acknowledging the existence or importance of Taiwan in their official actions, such as visits to Taipei reference to Taiwan as the "Republic of China," welcoming of Taiwanese delegations, issuance of executive orders, and even bills introduced in Congress to upgrade Philippine-Taiwan relations.<sup>11</sup>

The Aquino administration had repeatedly reiterated the "one-China" policy. Nevertheless, Foreign Secretary Manglapus, commenting on the sufficiency of Board of Investments resolutions to address the Taiwanese clamor for improvement in infrastructures and more investment guarantees, had repeated the often quoted point that business confidence cannot be built on legislation.<sup>12</sup> But the absence of diplomatic ties did not prevent the Philippines from signing an investment pact with Taiwan last March, the third signed between Manila and Taipei since the Philippines established diplomatic relations with Beijing in 1975.<sup>13</sup> The "one-China" policy has also been repeatedly challenged by individual acts of government officials, both in the executive and legislative branches.

Yet, the weight of PRC in Philippine national interest considerations remains preponderant. In the case alone of the recent controversy over the 1991 Philippine-Taiwan Agricultural and Fisheries Agreement, Undersecretary of Foreign Affairs Pablo Suarez cautioned against displeasing PRC, as this could "loosen the strength of the commitment of PRC of non-support to communist insurgents in the Philippines", close down the oil supply from PRC, which provides the commodity under interest-free credit terms, and harden the PRC's claim to the Spratlys, which encompass the Kalayaan Islands claimed by the Philippines.<sup>14</sup>

### The Future China and Philippine China Policy

To take a look at the Philippines' China policy is to take a look ahead, and identify what form the future China would look like. Here, Filipinos find the situation ironical:

The hard fact is that the old Cold War tensions are winding down. The hard fact is that even the two Chinese governments are saying nice things about each other. The hard fact is that the two governments

are looking at a one-China, two-systems accommodation. We are like a close family friend who has been asked to take sides in a material conflict. Even now as the two Chinas dance around reconciliation, we can only watch in silent frustration.<sup>15</sup>

Senator Leticia Shahani, chairperson of the Senate Committee on Foreign Relations stated that the PRC-Taiwan diplomatic battle "is a family quarrel which time will solve," and therefore, the Philippines need not "be caught in the crossfire between them". Shahani proposes a "quasi-formal agreement, short of a formal diplomatic one," that will govern trade relations with Taiwan, "on a basis of mutual benefit". This, she believes, is the "solution acceptable to all parties".<sup>16</sup>

There seems to be no doubt that the People's Republic of China, not Taiwan, will eventually prevail and absorb the other. The best hope of Taiwan "prevailing" is that the communist government in Beijing would collapse, as in the Soviet Union, and pave the way for a reunification of PRC and Taiwan under a single democratic government, no matter that it is not dominated by the Taiwanese government.

Hong Kong serves as a test case for the integration of Taiwan into PRC, and the impending generational change of Chinese leadership in Beijing looms as the window of opportunity for this transition. That the Hong Kong test will be positive is indicated by various growth triangles in the coastal areas of PRC that point to emerging integration with Hong Kong. Also, the exports from PRC that Hong Kong is now processing, and even the Taiwanese that are entering through Hong Kong, show the feasibility, desirability, and momentum of integration.<sup>17</sup>

A shift to a two-China policy for the Philippines is far-fetched, and would be brought about only by a radical change in the *status quo*, such as the emergence of a belligerent, expansionist, or uncooperative China. There have been some warning signs in this direction, namely the Tiananmen Incident, the Chinese declaration of sovereignty over the South China Sea, the encouragement of the concept of a Greater China, and PRC's adamant attitude towards Hong Kong even before reversion in 1997.

Nevertheless, PRC has given countersignals signifying cooperativeness in a range of international security issues. Diplomatic relations were restored with the rest of ASEAN members (Indonesia, Singapore, and Brunei) in 1990. It has expanded relations with Laos and Burma. PRC and Vietnam, despite lingering mutual suspicions, have begun to normalize their bilateral relations. Chinese officials

have been peripatetic, actively visiting neighbors, in an effort to reassure them about Chinese intentions. It appears the dominant thrust of Chinese foreign policy is its commitment to formulating and demonstrating a regional policy.<sup>18</sup>

In view of these mixed signals, it is unlikely that the Philippines would change its "one-China" policy. However, neither do they effectively discourage ongoing Filipino initiatives to creatively increase the unofficial ties with Taiwan. In effect, the so-called "one-and-a-half" China policy continues.

## Other Issues in Philippine Relations with China and Taiwan

### Trade Investments and Labor

The announced policy of the Ramos government is that it will concentrate more on promoting trade and investment rather than on securing loans. PRC and Taiwan are both important in this regard.

#### RP-PRC Trade

The Chinese market is essentially competitive with the Philippines, while the much more industrialized Taiwanese market is complementary. The latter has greater trade volume with the Philippines compared to the former. (See Table which shows that

TOP TEN EXPORT MARKETS <sup>47</sup>		
First Quarter 1992/1991 (FOB Value in Million \$)		
		1991
1.	USA	814.98
2.	Japan	438.67
3.	Germany, Fed. Rep.	126.34
4.	Hongkong	119.17
5.	UK	97.63
6.	Netherlands	82.67
7.	Taiwan	75.19
8.	South Korea	68.88
9.	Singapore	53.58
10.	France	48.85

Taiwan ranks seventh as a Philippine export market, while PRC does not enter the top 10.) The total Philippine trade with PRC in 1991 was only \$237.56 million, compared to trade with Taiwan for the same period of \$770 million. RP-PRC trade has been heavily in favor of the PRC since 1982. The Philippines' annual trade deficits with that country ranged from a low of \$6 million (in 1986) to a high of \$175.87 million in 1988. In 1991, the deficit was \$97.53 million in favor of PRC.<sup>19</sup>

Compared with other ASEAN countries, Philippine trade with PRC is considered very low. In 1990, trade fell to a low of \$224 million and \$271 million in 1989.<sup>20</sup>

#### Products for Promotion

The Department of Trade & Industry has prioritized 21 products for promotion in the big Chinese market. These products are fertilizers, fresh bananas, coffee, chrome ore, fresh mangoes, copper products, coconut oil, tin plates, floppy disk drives for computers, black and white picture tubes, construction materials, chemicals and pharmaceutical preparations.<sup>21</sup>

DTI officials said that Philippine exports stand a big chance of expanding its share of the Chinese market. "With its foreign exchange reserve already surpassing \$35 billion, PRC will spend most of its export earnings on imports after paying off foreign debts."<sup>22</sup> With the signing of the Philippine-PRC Trade Agreement of 1992, Philippine trade with PRC is projected to increase by 30 per cent (to about \$400 to \$600 million) by the end of this year.<sup>23</sup>

Such optimism puts too much importance on formal agreements, considering that among the factors mentioned for the Philippine trade deficit with PRC are the lack of information among local exporters on PRC trade regulations and practices and unfamiliarity with trade with public enterprises through which PRC trade is conducted. Maintenance of relations in the past left much to be desired (for some time, there were exchange rate problems, and there was no Philippine commercial attache in Beijing to undertake promotional activities for export and investments).<sup>24</sup> Irritants in Philippine-PRC trade relations such as the recent signing of the Philippine-Taiwan Agreement on Investment Guarantee have helped dampen trade volume between the Philippines and PRC.<sup>25</sup>

#### RP-Taiwan Complementation

Taiwan's surplus capital and labor shortage complements the Philippines' shortage of capital and surplus labor. Liberalization

policies in both countries that have accompanied political and economic reform now make that complementation so much more palpable. Foreign exchange controls have been lifted on both sides. Taiwanese labor-intensive light industries are being relocated to neighboring countries, of which the Philippines is the nearest. Jobs for Filipino overseas contract workers have opened in Taiwan.

The Philippines has also taken note that Taiwan, in a gesture of NIC-hood, has set aside a one billion dollar fund as International Economic Cooperation and Development Fund to assist selected developing countries.

Internationalization, along with liberalization of a formerly closed and protectionist economy, is seen as the key to Taiwan's continued growth. Giving the international community a stake in the success of Taiwan's economy is Taiwan's strategy for continued growth and holding at bay a PRC impatient for reunification.<sup>6</sup>

Problems, nevertheless, beset the Philippines' relations with Taiwan. The aborted Taiwanese petrochemical project, a litmus test for Taiwanese investment in the Philippines because of its unprecedented size, raised doubts about Taiwanese sincerity in infusing fresh funds from abroad and apprehension about Taiwanese involvement in graft and corrupt practices.<sup>27</sup> Other irritants include Taiwanese speculation in real estate which has bloated land prices, the maltreatment of Filipino overseas contract workers in Taiwan, Taiwanese criminal activities (e.g. kidnapping) which have spilled over into the Philippines, the smuggling of Taiwanese agricultural products into the Philippines, and the smuggling out of the Philippines of rare natural resources (such as stalactites and stalagmites).

On the other hand, Taiwanese investors are turned off by rampant criminality, poor power, transportation, and communication infrastructure, and the restiveness of the labor sector in the Philippines. Consequently, the volume of Taiwanese investments is relatively smaller than in the rest of Southeast Asia.

#### The Spratlys

The South China Sea is considered by many experts as a likely flashpoint in Southeast Asia. The Spratlys are the main bone of contention, but there are other issues, such as overlapping maritime boundaries and exclusive economic zones.<sup>28</sup>

The Philippines is conscious that its military resources are weak compared to other claimants. To put up a credible defense posture, the Department of Foreign Affairs has endorsed the military's proposal to build up defenses around the Spratlys due to "the

recent oil find near Palawan". General Abadla said the government will spend at least 188 million pesos to rehabilitate existing facilities at Pag-asa.<sup>29</sup> The Philippines has troops on eight islands in the Spratlys, the biggest of which is Pag-asa.<sup>30</sup>

Force modernization has also been going on in other ASEAN states. To allay mutual fears, the ASEAN has begun a regional politico-security dialogue process, picking up the proposal made by Philippine Foreign Affairs Secretary Raul S. Manglapus at the Jakarta ASEAN Ministers' Meeting in 1990.<sup>31</sup>

In an effort to reduce tension in the South China Sea, Indonesia, the only country bordering the South China Sea with no claims to the Spratlys, organized an informal forum in 1990 participated in by a multisectoral group of unofficial representatives from the six claimant states. The representatives agreed to temporarily shelve the sovereignty issue in order that cooperative and peaceful activities might be jointly undertaken by the claimant states in the disputed area.<sup>32</sup>

This year, PRC passed a law claiming sovereignty over the South China Sea, thus reviving the sovereignty issue. This has unsettled the other contending claimant states. The Philippines appeared surprised by the move.<sup>33</sup>

The Chinese action was immediately followed by the announcement of an agreement between PRC and a small US oil exploration company to undertake offshore exploration in an area overlapping Vietnam's continental shelf. The agreement might have been calculated to preempt a US reaction to the Chinese action.<sup>34</sup>

#### Joint Exploitation Option

Despite the uncertainties in the South China Sea, it is not worrisome. States in the region are experiencing unprecedented economic growth, and any disruptive conflict is the least they want, now and in the future. The course of action likely to take place, given the momentum of regional cooperation, consultation, and pragmatism in the region, is to skirt the sovereignty issue altogether and enter into a multilateral joint exploitation arrangement. Plausible alternatives have begun to be worked out, and draft treaties based on Antarctic and Law of the Sea insights and experiences having been offered and published. Mark Valencia, for instance, argues that the demilitarization of the Spratly area could be a first step towards realization of a Zone of Peace, Freedom and Neutrality in Southeast Asia and could lead to a cooperative regime for the entire area culminating in the setting up and operation of a Spratly Authority.

The purposes of the Spratley [sic] Authority would be to eliminate conflict, facilitate exploration and development of hydrocarbon resources, and enable cooperative management of fisheries and environmental quality. The initial members would be claimant states. Other states, e.g., Indonesia, Japan, the U.S., and Russia, might be admitted as associate members with the consent of party states, for the purpose of, e.g., assisting with exploration or mediating disagreements. Such associate members would have to satisfy a test such as a willingness to contribute financially or in-kind services, and, of course, accede to the agreement.<sup>35</sup>

The catastrophic effects of present conflicts in East Europe (not to mention past conflicts in Indochina) render a peaceful solution to the South China Sea issue more likely. In fact, the ASEAN way of continuous consultation already has begun to influence this process.

#### Illegal Immigrants and Ethnic Chinese-Filipinos

A perennial irritant in Philippine-Chinese and Philippine-Taiwan relations has been the issue of illegal immigrants.

In the process of the establishment of diplomatic relations with PRC, martial law issuances (Letter of Instruction No. 270 and other related Presidential Decrees, rules and regulations) relaxed hitherto restrictive citizenship policies to allow about 50,000 Chinese to become Filipino citizens, half the number of Chinese aliens reported to be residing in the country. Shahani declares that politically and legally the problem of the "overseas Chinese", the "overstaying Chinese", or the "illegal Chinese entrants", has been reduced to more manageable proportions. It might even be possible now to see the Chinese aliens in the same way that other aliens are perceived — limited in some rights but not the constant object of suspicion and legal discrimination.<sup>36</sup>

#### SIR and SRR Visas

The issue of illegal Chinese and Taiwanese in the Philippines is complicated by the desire of the Philippines to attract tourists and retirees from both countries.<sup>37</sup> The government has issued Special Investors Resident Visas under the Board of Investment program

and the Special Resident Retiree's Visas under the Philippine Retirement Authority program to Chinese nationals.

#### The Concept of a Greater China

The overseas Chinese question has been a constant issue in the relations between the PRC and ASEAN states (notably Singapore, whose population is predominantly ethnic Chinese, and Malaysia whose population is 30 percent ethnic Chinese). Recently, PRC has solicited assistance from overseas Chinese for its four modernizations drive. This has aroused apprehension among the ASEAN states about the nature of the relationship the Chinese government is seeking with their citizens who happen to be ethnic Chinese.<sup>38</sup>

The chairman of the Senate Foreign Relations Committee, Senator Leticia Shahani, in suggesting that the Philippines closely monitor events within PRC and key Asian states and their networks of bilateral and multilateral relationships so that the country could respond properly to them, notes that:

One of the most revealing developments in the expansion of the Chinese economy is the movement towards the coordination of Chinese economic systems. Several Chinese academicians, politicians, and businessmen from PRC, Taiwan, Hong Kong, and the United States have been planning the creation of a "Greater China" trade community without tariffs and with free flow of technology, investment, and manpower, starting with the integration of Hong Kong, Communist China and Capitalist Taiwan, and later Singapore. Overseas Chinese communities are expected to become involved in this "Greater China" plan by supplying capital and brainpower.

Already the Chinese, whether Communist or non-Communist, fully or heavily control a strategic string of very active economic enclaves stretching along the Asia-Pacific Rim from the Northeast to the Indian Ocean: Harbin, Tientsin, Shanghai, Foochow, Xiamen, Hongkong, Shenzhen, Taipei, Kaoshung, Manila, Hainan, Ho Chi Minh, Singapore, Medan, Kuala Lumpur, and Penang.<sup>39</sup>

#### Support for Local Communist Movement

The Philippines' accommodation with the socialist countries under martial law sought to orphan the local communists.

The amnesty program offered by President Ramos may likely finally and formally end the communist and separatist insurgencies in the Philippines, much as had happened in Malaysia and Thailand. The impending end to such insurgencies and the prevention of their resurgence has always been credited in part to the cooperation of PRC, from which insurgents in the past derived moral and, possibly, material support. In May 1990, then Secretary of Defense Fidel Ramos and Maj. Gen. Rodolfo Biazon, then acting AFP Chief of Staff, testified before the House Committee on Foreign Affairs that the proposed Philippine Taiwan Beneficial Relations Law would antagonize the PRC and "create additional problems for the Armed Forces" considering its previous support for local communist insurgency.<sup>40</sup> Some analysts think the question of resurgence in the Philippines lingers as the PRC has yet to denounce its support for these insurgents.<sup>41</sup>

#### A Participatory Foreign Policy Process

To take another look at the Philippines' China policy is to look not only at the substantive merits and demerits of the policy, but at the foreign policy process under which the policy is now under review.

**Thin constituency of "one-China" policy.** Outside of a few selected individuals, the "one-China" policy is not sufficiently understood in government, in the legislative branch, in media, and among the people at large. This is partly due to the fact that the "one-China" policy of the Philippines was adopted under martial law, and was not occasioned by wide discussion and debate in governmental, media, and public circles. It did not, for instance, merit as much attention as the issue of whether the Philippines ought to send the PhilCAG to Vietnam in 1968.<sup>42</sup>

**Confused articulation of China policy.** The lack of understanding of the delicateness of the policy has induced many individuals inside and outside of government to express themselves, in words and in action, including official words and actions, on the policy and vis-a-vis the PRC and Taiwan, embroidering, restating, and in effect modifying the policy. While sound decisions are made, such as retaining a career Filipino ambassador to PRC because "that assignment has nuances that only a career diplomat can respond

to," maverick actions in government threaten to neutralize them. For instance, Vice-President Estrada has promised in Taiwan early this year that if elected, he would return on an official visit. Also, some politicians try to win domestic political points in the field of foreign policy.

The bureaucracy itself has had its share of confusion, as illustrated by the signing of the Agriculture and Fisheries Agreement between the Philippines and Taiwan in July 1991, the first between the two countries since 1975, when the Philippines shifted diplomatic recognition to the Chinese government in Beijing.<sup>43</sup> This particular case delineates what might be called the "Lucila syndrome" — (1) shortsighted, uncoordinated governmental response to foreign initiatives, (2) resulting in undesirable policy outcomes (3) but nevertheless upheld to avoid official and personal embarrassment.<sup>44</sup> The cacophony of varying interpretations and positions has resulted in what has been called the "muddled Philippine policy" towards PRC.

**Open policy process.** Re-democratization in the Philippines has made foreign policy making more participative. Whereas under martial law, not even the Batasan (Marcos-created parliament) had any participation in the formulation of foreign policy, under the Aquino and Ramos governments, legislators, media persons, non-governmental organizations, the private business sector, and even foreign governments have participated in Philippine foreign policy-making process through the open democratic system.

Technical experts who understand the nuances of policy appear to have lost out to new, wide-eyed participants in the foreign policy process.

The input of the experts will carry proper weight only if they become less contradictory in their statements and actions, and become agile and capable participants in policy advocacy. As it is, the Philippine foreign affairs community has not attained the mass level of organization and coordination and resources for the proper conduct of Philippine foreign relations. The Department of Foreign Affairs, for instance, gets only one half of one percent of the government's annual budget, a pittance compared to the 40 percent that goes to debt service.<sup>45</sup>

**The role of the media and the private sector.** The arena for the review of the "one-China" policy has increasingly become the mass media, which has been accessible to would-be participants, including foreigners. This arena has disadvantaged the expert compared to the politician, for the expert does not volunteer information, while many politicians seek out and bask in the presence of

media persons. The private business sector, academe, and the so-called "people sector" are participants in the foreign policy process.

**Local governments.** Another set of participants in the foreign policy process may well be local governments. The decentralization law (Local Government Code) shifts certain responsibilities and powers from the national government to local governments. Many decisions affecting investments will be made by local governments, in areas outside Metro Manila such as CALABARZON, Bataan, Metro Cebu, Subic, Metro Davao, General Santos, and other prospective industrial investment areas. In November 1990, the Cebu City council passed a resolution asking the Taipei Economic and Cultural Office in Manila to open an office in Cebu to strengthen relations between Cebu and Taiwan.<sup>46</sup>

## Summary and Conclusions

This paper has argued that the Philippines' "one-China" policy is undergoing reexamination together with the rest of Philippine foreign policy in the light of changes and continuities in the domestic and external environments. Recent political reform and economic dynamism in Taiwan and recent diplomatic setbacks for PRC have unsettled the Philippines' strict adherence to the "one-China" policy. The Philippines continues to adhere to the "one-China" policy, but there has been a continuing search in governmental and private quarters for an expansion of mutually beneficial relations with Taiwan.

The "participatory" foreign policy process obtaining in the Philippines today has led to the so-called "muddled" Philippine policy towards PRC. The Philippine foreign affairs community has not been up to the delicate balancing that is required to maintain extensive trade, economic, financial, technological relations with Taiwan, without bestowing or appearing to bestow official status. Other nations in similar predicaments have successfully pulled off such an act.

The government needs to give more attention and resources to upgrade and expand the country's diplomatic resources, and to coordinate the efforts of government agencies involved in the conduct of Philippine foreign relations. Without such fence-mending, the incessant lapses that unnecessarily aggravate Philippine-PRC relations will continue.



## ENDNOTES

<sup>1</sup>Paper read at the Roundtable on "Perspectives on Philippine Policy Towards China" co-sponsored by the Department of Foreign Affairs and the Philippine Association for Chinese Studies, 16 September 1992, Board Room, 11th Floor, Department of Foreign Affairs, Roxas Blvd., Manila.

<sup>2</sup>Bernardo V Lopez, "The ADB Speaks on the Philippines," *Manila, Inc.*, August 1992, p. 42.

<sup>3</sup>Then Secretary of Foreign Affairs Raul S. Manglapus, as quoted in Aileen Baviera, "Philippine-Taiwan Relations," China-ASEAN Relations. The China Studies Program, De La Salle University, 1992. p. 114.

<sup>4</sup>Liberato Bautista, "Political Weight of Taiwan's Economic Investments," *Foreign Relations Journal*, Vol. 5, No. 1 (March 1990), Manila: Philippine Council for Foreign Relations, Inc. p. 88.

<sup>5</sup>*Newsweek*, "A Debate: What is Taiwan?," 14 October 1991, p. 24.

<sup>6</sup>*Philippine Daily Globe*, "Tact and Taiwan," 17 September, 1989, cited in Bautista, p. 89.

<sup>7</sup>See Bautista, pp. 97-98.

<sup>8</sup>*Philippine Daily Inquirer*, "Taiwan violations," 29 July 1991, p. 5.

<sup>9</sup>Bautista, p. 93.

<sup>10</sup>*Philippine Daily Inquirer*, "Ramos upholds one-China policy, but....," 4 August 1992, p. 9.

<sup>11</sup>See Bautista. See also Michael Dueñas, "The Ticklish China-Taiwan issue", *Philippines Free Press*, 1 December 1990, p. 12, for a review of these actions and events.

<sup>12</sup>Bautista, p. 99.

<sup>13</sup>*Philippine Daily Inquirer*, "Manglapus: No formal ties with Taiwan," 11 June 1992, p. 4.

<sup>14</sup>Bert Castro, "Panel wants Taiwan pact set aside," *The Manila Chronicle*, 25 July 1991, p. 1.

<sup>15</sup>Edwin V. Fernandez, "A candid look at the One-China policy," *Philippine Daily Inquirer*, 18 July 1991, p. 17.

<sup>16</sup>Bautista, p. 100.

<sup>17</sup>Although the prospect of an independent Taiwan is slim, it remains theoretically possible for it to declare independence, assume a seat in the United Nations, and other international bodies. The opposition Democratic Progressive Party in fact adopted a draft constitution calling for an independent "Republic of Taiwan". *Newsweek*, "A Debate: What is Taiwan?," 14 October 1991, p. 24.

<sup>18</sup>See Yong Deng, "Sino-Thai Relations: From Strategic Cooperation to Economic Diplomacy," *Contemporary Southeast Asia*, Vol. 13, No. 4 (March 1992), p.370.

<sup>19</sup>*Manila Inc.*, "RP Exports to China to Increase," August 1992, p. 14F.

<sup>20</sup>*Manila Inc.*, "New Trade Pact," p. 14I.

<sup>21</sup>*Manila Inc.*, "RP Exports," p. 14F.

<sup>22</sup>*Manila Inc.*, "RP Exports to China to Increase," August 1992, p. 14F.

<sup>23</sup>*Manila Inc.*, "New Trade Pact," p. 14I.

<sup>24</sup>*Manila Inc.*, "New Trade Pact," p. 14I.

<sup>25</sup>*Manila Inc.*, "New Trade Pact," p. 14I.

<sup>26</sup>Baviera, p. 116.

<sup>27</sup>Chairman Joker Arroyo of the government-owned Philippine National Bank, criticized the Luzon Petrochemical Corporation on the grounds that it intended to bring little capital into the Philippines and borrow heavily from local banks. For more of the controversy, see "Taiwanese brand RP officials as irresponsible," *Manila Chronicle*, June 1, 1990, p. 15.

<sup>28</sup>The Spratly Islands in the South China Sea of Palawan are believed to be rich in hydro-carbon resources and are strategic militarily. All or part of the islands are claimed by Brunei, PRC, Malaysia, the Philippines, Taiwan, and Vietnam.

<sup>29</sup>Jerry Esplanada, "RP, Vietnam to discuss dispute over Spratleys [sic]," *Philippine Daily Inquirer*, 11 September 1992, p. 10.

<sup>30</sup>PRC maintains six garrisons there. Taiwan has stationed soldiers in Itu Aba, the largest in the archipelago. Vietnam claims 24 islets, while Malaysia controls three.

<sup>31</sup>Carolina G. Hernandez, "An ASEAN Perspective in the New Asia-Pacific Era," Carlos P. Romulo Professorial Chair Lecture, University of the Philippines, September 1992.

<sup>32</sup>Hernandez.

<sup>33</sup>Foreign Secretary Raul Manglapus earlier reported that "during President Aquino's state visit to PRC, Mr. Deng Hsiao [sic] Ping, the Chinese leader, suggested that the conflicting claims on the Spratley Islands, where the Philippines occupies the Kalayaan group, be shelved until an adequate solution could be found." Likewise, he reports that "in Hanoi, we agreed with the Vietnamese that the matter should be settled peacefully and without resort to arms." Manglapus, "RP's foreign policy thrust: development diplomacy," *The Philippines Free Press*, January 28, 1989.

<sup>34</sup>Hernandez.

<sup>35</sup>Mark J. Valencia, "The South China Sea: Potential Conflict

and Cooperation," [Proceedings of the] 6th Asia-Pacific Roundtable on Confidence-Building and Conflict Reduction in the Pacific, 21-25 June, 1992, p.5.

<sup>36</sup>Leticia R. Shahani, in "ASEAN and China," *Foreign Relations Journal*, p. 125.

<sup>37</sup>*Philippine Star*, "PRA retirement fund for foreign elders launched," September 9, 1992, p. 19.

<sup>38</sup>Theresa Cariño, *China-ASEAN Relations: Political, Economic & Ethnic Dimensions*, The China Studies Program, De La Salle University, 1991, p. 91.

<sup>39</sup>Foreign Policy For Our Future, July 1992, p. 26.

<sup>40</sup>See Dueñas, p. 27.

<sup>41</sup>Cariño, p. 91.

<sup>42</sup>It is of course doubtful whether the Philippines could have undertaken bold foreign policy moves in the 1970s were it not for the artificial coherence in foreign policy that constitutional authoritarianism afforded.

<sup>43</sup>The *Manila Chronicle*, "Pact signed with Taiwan," 8 July 1991, p. 6.

<sup>44</sup>Assistant Executive Secretary Roberto Rafael V. Lucila, Chairman of the South Sea Fishery Dispute Settlement Committee signed the controversial Agricultural and Fisheries Agreement with Taiwanese officials in his official capacity, despite prior warnings by officials from the Departments of Justice and Foreign Affairs that such action would violate the "one-China" policy. The pact assigns two sea lanes through disputed territorial waters near the Kalayaan chain of islands to Taiwanese boats en route to fishing grounds in the South Pacific. To avoid further embarrassment, the Philippine government later unilaterally declared new sea lanes of passage for all types of foreign fishing vessels headed for the South Pacific. For more on this controversy, see Bert Castro, "Fishery pact deemed violating 'One-China'," *The Manila Chronicle*, 10 July 1991, p. 1 and the editorial of the *Philippine Daily Inquirer*, "Difficult Choices," 10 July 1991, p. 4. The agony of policymakers charged with correcting the damage done by the pact is detailed in Bert Castro, "Panel wants Taiwan pact set aside," *The Manila Chronicle*, 25 July 1991, p. 1.

<sup>45</sup>The DFA has only 1,800 officers and employees. Of these, 1,682 are regular employees, the rest being casuals. See Raul Manglapus, "RP's foreign policy."

<sup>46</sup>Dueñas, p. 27.

<sup>47</sup>*Manila Inc.*, Top Ten Export Markets, August 1992, p. 14F.

## TAIWAN'S ECONOMY: SHORT AND LONG-TERM PROJECTIONS

*Julius Caesar Parreñas*

Forty years after the exodus of the Nationalist Chinese government to Taiwan after the communist takeover in the mainland in 1949, Taiwan has become a significant economic player in Asia and the world. In 1990, it became the 15th largest exporter in the world, accounting for two percent of total world export revenues in that year. Its international reserves (minus gold) of \$73.1 billion, which in 1990 ranked second highest after Japan, have grown to about \$78 billion today.

Taiwan's per capita GNP is actually much higher than the officially recorded \$8,000 in 1990 due to its large underground economy [Table 1]. It posted high economic growth rates averaging almost 7 percent annually since 1965 [Table 2]. This growth was fuelled to a large extent by merchandise exports, which grew very rapidly and in 1990 totalled \$67 billion [Tables 3 and 4].

This phenomenal growth was accomplished without the economic dislocations and great social costs that have accompanied major economic transformations in other countries. In all these years, the Taiwanese economy was characterized by relative price stability and low unemployment rates [Tables 5 and 6]. For a country

TABLE 1  
ECONOMIC PROSPERITY  
Per capita GNP in US\$ in 1990

Japan	25,430
Singapore	11,160
Taiwan	7,954
S Korea	5,400
Philippines	730
PRC	370

Sources: WB, World Development Report 1992, and Taiwan Statistical Data Book 1992.