

Philippine-U.S. Alliance at 67: Quo Vadis?
Mangrove Forum
November 20, 2018

I'm delighted to be with all of you here at the Department of Foreign Affairs today, just down the street from our Embassy. I'd like to thank the Department of Foreign Affairs' Foreign Service Institute and Presidential Commission on Visiting Forces for hosting this event.

I am honored that so many senior colleagues from the government and the military have joined us. And I very much appreciate this opportunity to speak to you at this important event, commemorating the 67th anniversary of the signing of the Philippines–U.S. Mutual Defense Treaty.

When the treaty was signed in 1951 our shared sacrifices during World War II were still very fresh in our minds. We were again reminded of this historic partnership as the United States observed Veterans' Day just nine days ago, where we recognized the service of Filipino and American Veterans and their sacrifice to protect democracy and freedom.

I think we can all agree that the Mutual Defense Treaty has had a very successful first 67 years, and we look forward to many more years of close partnership between our two nations.

I've been asked to reflect on where our alliance is headed. But before I speak of the future, it is helpful to take stock of how far we have come. So let me spend a few minutes reflecting on the strength of our bilateral relationship.

Security Cooperation

Our security alliance -- one of our oldest military partnerships -- has never been more important than now, as the Philippine and American militaries work together to make the region and the world a safer place.

Reflecting the Philippines' vital role in regional security, the Philippines is by far the largest recipient of U.S. Foreign Military Financing assistance in Asia, and we strongly support the AFP's modernization program. Since January 2017, we have delivered over 5 billion pesos (\$95 million) worth of planes, ships, armored vehicles, and small arms to the AFP. All while training side by side with our Filipino allies.

The United States' commitment to the Philippines was on full display in response to the 2017 siege of Marawi. At the request of the Philippine government, U.S. Special Operations Forces provided critical assistance to the AFP in Marawi throughout their fight.

The U.S. military also provided much-needed munitions to the AFP in a timely manner during the siege. We were there to answer your call, and to provide assistance that no other country could.

While we sustain our deep military-to-military engagements, we are further increasing our support for law enforcement and other civilian counterterrorism efforts by the Philippine government, stopping terrorist movement and financing, and assisting our Philippine partners in countering violent extremism.

Additionally, U.S. maritime law enforcement assistance helps bolster the Philippine capacity to patrol waters and interdict smuggling operations, wildlife trafficking, and environmental crimes including illegal fishing.

Development Assistance

In addition to our support to the AFP, the United States provides significant non-military assistance to the Philippines. From 2011 to 2017, this assistance totaled 80 billion pesos (\$1.6 billion). Provided principally through USAID, this assistance underscores the United States' enduring commitment to advancing a more prosperous, stable, and well-governed nation.

USAID has allocated almost three billion pesos over the last year to assist with ongoing emergency relief and recovery operations for those affected by the Marawi crisis, including long-term stabilization and rehabilitation efforts. During a trip to Marawi last month, I announced a new activity called the Marawi Response Project. This latest tranche of USAID assistance to communities affected by the conflict there will help these communities get back on their feet and on the road to long-term recovery from the effects of the conflict.

U.S. development assistance focuses on accelerating and sustaining inclusive growth through activities in the areas of governance, economic growth, health, and education. We also support activities that enhance the Philippines' environmental resilience and foster peace and stability in conflict-affected areas of Mindanao.

Economic Cooperation

The United States and the Philippines share a strong and deep-rooted economic partnership as well. We are optimistic about the Philippines' economic future and look forward to further deepening our economic ties.

As you may know, the Philippines' largest exporter by value, Texas Instruments, and largest private employer, Concentrix, are both U.S. companies, as are some of its largest taxpayers, including Chevron.

The United States is among the Philippines' top three trading partners, exchanging more than one trillion pesos (\$20 billion) in goods last year. In the first six months of 2018, the U.S. was the top export market for Philippine goods.

The United States is also among the Philippines' top five foreign investors, with more than 380 billion pesos (\$7.1 billion) in FDI stock.

These numbers are important but what I find more interesting is what it is like in some of these companies. I have visited a number of the U.S. firms here. Three takeaways from these visits are: Jobs, Innovation, and Opportunity.

Jobs: I recently visited a U.S. company which employs 42,000 Filipinos and Filipinas, and the average age is 27. For each of these 42,000 jobs, 3-5 additional jobs are created in the surrounding area. That's remarkable! Another U.S. company I visited has increased their footprint from 100 to 5,000 positions in under 5 years.

Innovation: The spirit of innovation was on full display when I visited U.S. consulting firm Accenture's "Liquid Lab", which creates innovative design and consulting work. I was so impressed by the technology advancements being developed there -- from safety helmets with infrared cameras to track access to secure areas, to designs for high-end jewelry companies.

Opportunity: Specifically, we are seeking opportunities to expand the formal trade relationship and are working with the Philippine government to strengthen economic governance and competitiveness.

This is something Presidents Duterte and Trump discussed to last November, and the United States welcomes the Philippines' interest in a free trade agreement. We are working with your Department of Trade and Industry on ways to make our bilateral trade relationship more free, fair, and competitive.

People-to-People Links

Of course, much of the strength of our bilateral relationship is rooted in our vibrant and robust cultural ties and people-to-people links. There are over four million U.S. citizens of Philippine ancestry in the United States, the second-largest Asian American population, and more than 300,000 U.S. citizens living or traveling in the Philippines. More and more of our students are choosing to study in each other's country.

These security, economic, and cultural bonds are cornerstones of the U.S.-Philippines alliance, which in turn is one of the central pillars of U.S. security policy in the Indo-Pacific region.

The U.S. Indo-Pacific Strategy

So our relationship has grown dramatically in the 67 years since we signed our Mutual Defense Treaty. Returning to today's topic, Quo Vadis -- where are we headed?

My short answer to that would be "Onward and Upward, more of the same!" Given the bilateral relationship's solid foundations and positive trajectory, I have no doubt that our security cooperation, economic ties, and people-to-people linkages will continue to grow. I am confident and optimistic about the future of our bilateral partnership.

But I think it's important to also assess more broadly, with an overview of U.S. policy for the region, the Indo-Pacific Strategy announced about one year ago.

Our Indo-Pacific strategy seeks to support a peaceful and secure region of sovereign nations, leveraging a framework for economic growth that is private sector-led. We aim to encourage growth through an economic system that is open, transparent, and rules-based.

In other words, we seek to advance a free and open Indo-Pacific. Our vision for the region is clear -- to support a constellation of nations that are sovereign, strong, and satellites to none.

Our approach is built on principles that are widely shared throughout the region: ensuring the freedom of the seas and skies; insulating sovereign nations from external coercion; promoting market-based economics, open investment environments, and fair and reciprocal trade; and supporting good governance and respect for individual rights. These values and policies have helped this region to thrive and grow into the world-driving engine it is today.

We seek partnership, not domination. Cooperation with partner countries and regional institutions such as ASEAN is at the center of our strategy. ASEAN is at the center of the Indo-Pacific and plays a central role in our Indo-Pacific vision.

Our Indo-Pacific vision is inclusive. We seek to work with anyone to promote a free and open Indo-Pacific, so long as that cooperation adheres to the highest standards that our citizens demand.

Private Sector-led Growth

The economic track of the Indo-Pacific strategy is built upon private sector investment. We believe private sector-led economic growth is the healthiest model: market-driven, transparent, and financially sustainable.

The need in the region is very great, especially regarding infrastructure. The Asian Development Bank estimates developing countries in the Indo-Pacific need \$1.7 trillion in infrastructure investment every year. That amounts to \$26 trillion by 2030. No single government can underwrite that much investment.

We believe the only possible answer to this tremendous development need is the private sector. Only the \$70 trillion in private capital located in the world's financial centers can meet the Indo-Pacific region's requirements. The United States supports open business environments to attract this capital.

U.S. government initiatives

While private sector-led development is the only way to meet the infrastructure needs in the Indo-Pacific, government can play an important role to jump start growth -- and we are doing so in the Indo-Pacific.

With the passage of the BUILD (Better Utilization of Investments Leading to Development) Act last month, the U.S. will establish a new International Development

Finance Corporation with a \$60 billion investment portfolio capacity, the authority to make equity investments, and the ability to conduct feasibility studies.

Our Administration is also working to revitalize the Export-Import Bank of the United States, which could begin to consider \$10 billion in Indo-Pacific projects currently in its pipeline.

Another new initiative is the Infrastructure Transaction and Assistance Network (ITAN). This whole-of-government effort will help develop sustainable infrastructure in the Indo-Pacific. ITAN establishes a new interagency body to optimize U.S. tools for assessing projects, directing development finance, and deploying technical assistance.

We also have established the Digital Connectivity and Cybersecurity Partnership. This Partnership will promote access to open, interoperable, reliable, and secure Internet in developing countries, with an initial focus on the Indo-Pacific. This initiative will establish public-private partnerships to build digital infrastructure and provide technical assistance.

So we are doing a lot, but our focus is always on crafting a fertile environment to encourage inflows of private sector investment.

Security

Regarding the security aspect of the strategy, the United States will expand security cooperation with allies and partners in maritime security, humanitarian assistance, disaster relief, peacekeeping operations, and countering transnational crime.

The Indo-Pacific Strategy leverages our unmatched network of alliances in the region. Five of the United States' seven treaty alliances are located in the Indo-Pacific: the Philippines, Japan, Australia, ROK, and Thailand.

Earlier this year we renamed Pacific Command to Indo-Pacific Command. INDOPACOM is the oldest and largest geographic combatant command with approximately 360,000 U.S. military and civilian personnel.

Earlier I mentioned our security assistance to the Philippines. We are doing even more regionally. This year, the United States is providing over half a billion dollars in security assistance to Indo-Pacific partners, to strengthen maritime security and counter transnational threats. This includes the nearly \$300 million in new funding to reinforce security cooperation. We are providing \$385 million in Foreign Military Financing to the region this year -- more than the previous three years combined.

The United States also trains regularly with our security partners. We hold 90 military exercises in the Indo-Pacific each year, building trusting relationships, increasing interoperability, and expanding partner capability and capacity.

I am often asked, "What about China?" "How can the United States respond to China's growing role?" Let me assure you, our Indo-Pacific strategy is not targeted at China or any other country. Rather, it is rooted in longstanding friendships and the values we

share with partners and communities in the region. We seek a constructive, results-oriented relationship with China, wherever possible.

Indeed, the United States and China productively engage across a broad spectrum of interests. We have no intention of making countries “choose” between the United States and China.

We welcome contributions by China for regional development, so long as it adheres to the highest standards the people of the region demand, including in areas such as transparency, rule of law, and sustainable financing. Any activities that do not adhere to these principles undermine stability and prosperity.

The United States will continue to raise concerns about actions by any country that challenge the rules-based order which underpinned years of peace, stability and economic growth.

Conclusion

With that slight detour, let me now conclude by returning to the question of what’s next for our bilateral ties. Given our special historical ties, and our encompassing mutual security, economic and people-to-people linkages, the United States is confident our alliance with the Philippines will continue to thrive in the future. We have shared sacrifices, shared values, and common ambitions. This is why I am so honored and thrilled to serving as the US Ambassador to the great Philippines. And I very much look forward to the next 67 years of our close alliance, friendship, and partnership.

Thank you very much.