The Carrot Approach:

The influence of US aid post-conditionality and Chinese aid selectivity on the Philippine foreign policy on Spratlys

Mary Rose DV. Flores

University of the Philippines Manila
# TABLE OF CONTENTS

Abstract ................................................................................................................................. 3

Introduction ............................................................................................................................. 4

   Research objectives ........................................................................................................... 6

Background of the study

   Stakeholders of the ‘mother of all territorial disputes’ .................................................... 7
   Philippine foreign policy on the Spratlys ......................................................................... 10
   Foreign aid to the Philippines .......................................................................................... 12
   Significant internal factors .............................................................................................. 17

Theoretical framework

   Social exchange theory ..................................................................................................... 19
   Rational choice institutionalism ...................................................................................... 21

Conceptual framework ......................................................................................................... 22

Data presentation and analysis

   Methodology ..................................................................................................................... 24
   Post-conditionality as embedded influence ................................................................. 25
   US aid and profit from policy exchange ......................................................................... 26
   Chinese aid selectivity, a punitive resource exchange ................................................ 27
   Policy first before aid ....................................................................................................... 28
   Aggressive to passive policy shift .................................................................................. 30

Conclusion ............................................................................................................................ 36
Abstract

The Spratly Islands in the South China Sea has been tagged as the “mother of all territorial disputes.” Different foreign policies were implemented by claimant countries to assert their sovereign claim on the islands. In this study, the nature of aid conditionalities from aid conditionality to aid selectivity is used to determine the role of foreign aid in influencing foreign policy decision on Spratlys, particularly the case of the Philippines. It also explained the shift in the Philippine foreign policy from an aggressive stance against China with the United States military aid to the Philippines to a peaceful cooperation with China through joint development cooperation. Findings involve new dimensions of aid and rational institutionalist positions as determining factors for the nature and the transition of Philippine foreign policy towards the Spratlys.

Keywords: US and Chinese aid, Philippine foreign policy on the Spratlys, aid selectivity, post-conditionality
INTRODUCTION

Critical studies on foreign aid emphasized military and economic development assistance as mechanisms of donor countries to influence foreign policies of recipient countries. With the foreign aid transaction’s institutionalization in the international economic and political affairs, foreign aid assumed the form of a necessity of a country that influence its foreign policy. Once granted, these foreign aid entered that country’s sovereign territory, perceived as functioning in accordance with the principles laid down in its fundamental laws.

In reality, foreign aid possesses conditionalities that are to be followed or upheld by recipient countries in return for the donors granting such aid. This kind of foreign aid necessity to address a national objective or needs may be named aid-for-policy formulation. The policies that were implemented are consequences of the conditionalities that are attached with the foreign aid. The very essence of such aid-for-policy formulation strategy of a government can be implicitly observed in Dye’s statement that “abundance of state or local policy research has shown that the economic resources available to a political entity will strongly influence public policy” (Dye, 1976 as cited in Morgan & Robert, 1984, p. 68).

As one of the recipient countries of foreign aid coming primarily from the United States and China, and with the recurring foreign policy issue on the Spratly Islands, it can be observed that the Philippine case can be used to show how foreign aid shapes a country’s foreign policy. Thus, this paper aims to determine how foreign aid from US and China influence the foreign policy of the Aquino administration towards the Spratly issue.
Most studies on the Spratlys that also discussed the foreign policy formed by past administrations\(^1\) towards the issue failed to explain how such foreign polices was formulated. In particular, Joyner (n.d.), a well-known scholar in Spratly Islands disputes, gave primacy on discussing the various disputes in the South China Sea brought about by the Spratly Islands. He highlighted the fact that conflicting claims on the islands are driven by politics but failed to elaborate on what policies were made and what affects such policies. On the other hand, Bob Catley and Makmur Keliat (1998) argued that geopolitical and economic ambitions of claimant countries and the United States will be the source of chief threat of increasing danger, as well as possible solutions in the Spratlys. However, they also failed to provide the specific cases and mechanisms on how such national interests will affect their foreign policies on the Spratlys issue resolution or the foreign policies of other claimant countries. Thus, this paper also aims to fill the gaps in these studies in terms of determining the mechanism used by particular countries involved in the Spratlys issue—China, the Philippines and United States—with the use of foreign aid to affect each other’s foreign policy towards the Spratlys.

I used key informant interviews and secondary data gathering to obtain first-hand knowledge on the topic from political analysts, international relations experts and foreign policy experts through a convenient sampling. In addition, as in this type of international agenda, each state involved will inevitably express their positions on the issue through various speeches and/or diplomatic manifestations which were mostly written or declared, unilateral or multilateral in form; thus, discourse analysis is a valuable methodology. Chosen for discourse analysis was

---

\(^1\) In 1946, Vice President Elpidio Quirino reiterated that the Southern Islands, the forerunner name for Kalayaan, is part of the Philippines. In March 1976, President Marcos issued the Letter of Instruction (LOI) No.1-76 organizing the AFP Western Command based in Palawan to, among others, address the security concerns in the area. In June 11, 1978, President Marcos issued Presidential Decree No.1596 that formally annexed the Kalayaan Islands creating a distinct and separate Municipality known as “Kalayaan” under the political jurisdiction of the Province of Palawan, but under the custody of the Department of National Defense. The first Municipal Mayor of Kalayaan was elected 30 January 1980.
President Benigno Aquino III’s speeches regarding the South China Sea diplomatic protest raised by the Philippines against China. These speeches or parts thereof were chosen because these manifest the national interest and stake of the Philippines on the Spratlys foreign policy. I first determined the intended audience of these speeches and then I will deduce the meanings implicitly stated for the analysis. The influence of US and Chinese aid to the Philippine foreign policy on Spratlys is then discussed and concluded.

**Research Objectives**

*General Objective*

This study seeks to determine the role of US and Chinese aid on the foreign policy of the Philippine Government with regard to the Spratlys issue.

*Specific Objectives*

1. To determine the nature of conditionalities attached to US and Chinese aid provided to the Philippines
2. To explain the shift in the Philippine foreign policy from an aggressive stance against China with the aid of US to a peaceful cooperation with China through a joint development cooperation
3. To analyze and explain the foreign policy adopted by the Philippine government on the Spratlys issue in relation to US and Chinese aid in the country
BACKGROUND OF THE STUDY

Stakeholders of the ‘Mother of all territorial disputes’

Foreign policy decisions on the dispute on the South China Sea\(^2\), of which the matter of the Spratly Islands fell into, dates back to China’s direct historical, political and economic claims to the Spratly Islands on 1951. On the other hand, the first Philippine claim on some islands in the Spratlys, particularly the Kalayaan group of islands, was instituted in 1956 by Tomas Cloma, a Filipino adventurer and fishing magnate, calling it the “Free Territory of Freedomland” with a separate government (CenPEG, 2011). This historic claim is also cited in RA 9522, the law defining the archipelagic baseline of the Philippines.

One factor why China poses its desire to establish control over the Islands is due to its increasing attraction for oil, given the incapacity of their national oil production to meet its population’s demand. Spratly Islands have hydrocarbon deposits, oil and gas deposits, which is at high stakes (A. Baviera, personal communication, October 4, 2011). In the past, China wanted to lessen its strategic reliance towards other countries. It looked for measures to reduce their country’s susceptibility to any form of economic disturbance. Thus, physically being able to regulate Spratlys and control over it would mean that their goal would be obtained in two ways; first is that other countries would be hindered from using the Islands to mount an oil interdiction effort and second, the exploitation of hydrocarbon deposits would solve the perceived shortfall between oil demand and supply (Sokolsky, 2000). The Philippines has also been fairly active in involving itself in the issue. Like all other claimants, the Philippines’ interest towards the island leans on its economic need. Aside from oil and gas deposits, Spratly Islands is also rich in

---

\(^2\) Under President Benigno Aquino III’s administration, to manifest Philippine sovereignty over the South China Sea, it was changed to West Philippine Sea.
mineral resources, in fisheries or fishing grounds which are of economic value. The Philippines also has expressed its interest in militarizing Spratlys. In the 1970s, the Philippines sent a military delegation to occupy some of the islands. After a few years it had expanded its presence to six islands. Under President Benigno Aquino III’s administration, they made plans to repair and upgrade military outposts, and also to renovate its airport and facilities (Mogato, 2011). It rests its claim on the principle of proximity of the islands to its territory, saying that ownership of parts of the island revolves around territorial claims. However, a common reason and concern for China and the Philippines is strategic security. The South China Sea has strategic sea lanes of communication for navigations in order for ships carrying with it commodities and oil, or even military vessels, to pass through in the area.

With the international scenario on Philippine’s diplomatic protest against the Chinese intrusion on the Escoda Shoal of the Kalayaan Group of Islands, another state actor emerged with its stake on the territorial dispute—the United States. It’s national interest lies in what former President of the Dominican Republic, Juan Bosch, wrote in his analysis of the US Military Industrial Complex as the sole determining and controlling group in US foreign policy intellectual decision-making while affecting the foreign policies of other countries through what he called the US “Pentagonism:”

“No longer do advanced capitalist nations send out their military to conquer and exploit colonies. Foreign warfare or the threat of warfare provides ‘access to the generous economic resources being mobilized for industrial war production. What is being sought are profits where arms are manufactured, not where they are employed, and these profits are obtained in, and bring money in from, the place where the center of Pentagonist power lies.’ In short, the domestic population is exploited now as colonies were in the past” (Juan Bosch, New American Nation, 2011 as cited in Goertzel, 1989, p. 243).

3 The Military-Industrial Complex is described as an all-too friendly relationship that may develop between defense contractors and government forces, where both sides receive what they are perceivably looking for: a successful military engagement for war planners and financial profit for those manning the corporate boardrooms.
Pentagonism is used to connote the role of the US Department of Defense, as an important aspect of the military industrial complex, in expanding war industries in a different form as that of the former process of colonialism but with the same purpose or objective—capital formation and search for market for US production, but now including military projection in geostrategic world regions. In addition, C. W. Mills (1956) argued that a “tripartite prepotency of the corporate rich, the chief executives of the executive branch, and the warlords of the Pentagon dominated American political life” (Mills, 1956 as cited in Goertzel, 1989, p. 241).

Provision and sales of US military equipment to various governments, particularly with the Spratlys case between China and the Philippines, was a matter of creating a justification for such military production. Simbulan stated in his review of the book *Unmasking the War on Terror* by progressive scholars (Edberto Villegas, Bobby Tuazon, Jose Enrique Africa, Paul Quintos, Ramon Guillermo, Jayson Lamchek and Edwin Licaros) that the “Asia-Pacific region is rich with the struggles of Asian peoples fighting colonialism and feudalism… western powers and sections of the local elites who have been co-opted relied on national security laws that have their origins in colonial emergency powers but these continue to evolve and have been adopted by local elites to perpetuate their rule” (n.d., par. 8). It is for this reason that one of the territorial and national sovereignty issues still existing today—the Spratlys issue—in one of the key geopolitical areas of the world--the South China Sea or the West Philippine Sea--and the very foreign policy formulated and adopted to such foreign policy issue must be analyzed. The Spratlys issue, in no vague analysis, is a national security and geostrategic interest for the Philippines, China and the United States.
Philippine Foreign Policy on the Spratlys

As a foreign policy issue, studies on the Spratly islands point to the history of the dispute between and among Asian claimant countries in relation to the foreign policies that they exercised. Each claim either resulted to the presence of military forces in the area or through a peaceful but unsettled agreement. In the case of China, it has used military force to occupy disputed territory. They built and manned three octagonal structures in the Mischief Reef and the construction in late October 1998 where at least four military supply ships and some 100 workers were involved in the construction operation to lay concrete foundations there (Joyner, n.d.). But at the same time Beijing has indicated a willingness to seek a peaceful settlement and has participated in conferences that have explored alternative solutions, including joint development of the region's natural resources (Hyer, 1995). In the case of the Philippines, multilateral international settlement of the dispute was prioritized. However, the essence of the Spratlys dispute lies in questions of territorial sovereignty, not on issues of law of the sea, considering that complexities of overlapping claims and the dispute’s long history make determination of national sovereignty in the Spratlys extremely difficult.

In the most recent diplomatic protest raised by the Philippines to the international community, its first foreign policy was manifested in Aquino III’s second State of the Nation Address:

“Speaking of security, does enhanced security not also enhance our national pride? There was a time when we couldn’t appropriately respond to threats in our own backyard. Now, our message to the world is clear: What is ours is ours; setting foot on Recto Bank is no different from setting foot on Recto Avenue” (Official Gazette, 2011).
The chief executive’s unilateral declaration of invoking the antiquated Mutual Defense Treaty between the Philippines and the United States, and its purchase of military equipment for patrolling the Kalayaan Islands reflected an aggressive stance on the Spratlys dispute.

Following a series of statements from the Philippine government, Beijing and the United States’ State Department and Embassy in Manila, a new Philippine foreign policy framework on the Spratlys was instituted by the executive office via the Department of Foreign Affairs known as the “ZoPFF/C” or the Zone of Peace, Freedom, Friendship and Cooperation, which seeks to achieve its vision by segregating first the disputed relevant features of the Spratlys from the undisputed waters of the West Philippine Sea in accordance with the UNCLOS; after which, claimant countries would then be enabled to engage in joint cooperation including joint development (Department of Foreign Affairs, 2011).

One of the important studies focused on the role of foreign to foreign policy decisions is the Statement on the Exploratory Talks by Simbulan entitled “Assert the National Interest, Advance an Independent Foreign Policy” included in his book The Continuing Struggle for an Independent Philippine Foreign Policy (1991). He reiterated the explicit little, if not the absence of, autonomy of the Philippine state in adopting policy initiatives that are in accordance with the dictate of the “dollars and cents issue” of US assistance as the accelerating factor for the shortfalls of Philippine foreign Policy. These assertions are helpful and are parallel with The Bases of our Insecurity (1985) in establishing the role of foreign aid, US aid in particular, in the type of foreign policy that the Philippines adopt on several issues concerning the common good and national sovereignty.
On the other hand, most studies on the Spratlys that also discussed the foreign policy formed by past administrations towards the issue failed to explain how such foreign policies were formulated. In particular, Joyner (n.d.), a well-known scholar in Spratly Islands disputes, gave primacy on discussing the various disputes in the South China Sea brought about by the Spratly Islands. He highlighted the fact that conflicting claims on the islands are driven by politics but failed to elaborate on what policies were made and what affects such policies. On the other hand, Bob Catley and Makmur Keliat (1998) argued that geopolitical and economic ambitions of claimant countries and the United States will be the source of chief threat of increasing danger, as well as possible solutions in the Spratlys. However, they also failed to provide the specific cases and mechanisms on how such national interests will affect their foreign policies on the Spratlys issue resolution or the foreign policies of other claimant countries. Thus, this paper also aims to fill the gaps in these studies in terms of determining the mechanism used by particular countries involved in the Spratlys issue—China, the Philippines and United States— with the use of foreign aid to affect each other’s foreign policy towards the Spratlys.

**Foreign aid to the Philippines**

One of the global trends persistent in the international community that is known to be influential in the decision making process for domestic and even foreign policies of Third World countries such as the Philippines is the aid provided by various donor countries. This is consistent with Chikowore’s (2010) study particularly emphasizing aid as a tool by donor

---

4 In 1946, Vice President Elpidio Quirino reiterated that the Southern Islands, the forerunner name for Kalayaan, is part of the Philippines. In March 1976, President Marcos issued the Letter of Instruction (LOI) No.1-76 organizing the AFP Western Command based in Palawan to, among others, address the security concerns in the area. In June 11, 1978, President Marcos issued Presidential Decree No.1596 that formally annexed the Kalayaan Islands creating a distinct and separate Municipality known as “Kalayaan” under the political jurisdiction of the Province of Palawan, but under the custody of the Department of National Defense. The first Municipal Mayor of Kalayaan was elected 30 January 1980.
countries as they impose prohibitive policy conditionalities on recipient countries while donors tie their commercial, political and military interests to the aid they provide.

Foreign aid was defined by the Organization for Economic Cooperation and Development (OECD) as “flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent” (oecd.org). The objective is to support economic development and social welfare in developing countries. However, to supplement this definition, my paper also incorporate ‘aid’ provided in kind such as military equipment, trainings, loans and investments by other countries—particularly US and China—as these are also considered by the Philippine government to serve the same objective. This paper is focused on two forms of aid, military and economic aid.

*US military aid to the Philippines*

One of the leading donor countries in these aid transactions with the Philippines is the United States. It provides what it calls the humanitarian and altruistic measures of reaching to the countries of Asia, Africa, and Latin America. The US started providing aid after World War I when the devastated Europe was provided with the known Marshall Plan as a rehabilitation aid to stimulate their economy instead of leading such a regional bloc to the influence of the communist Russia (Kennan, 1948). This US mechanism of pouring aid to other nations reached the Philippines during and at greater point, after the colonial period, with its rehabilitation aid during former President Manual Roxas’ administration and which includes today’s military aid transactions much reinforced by their special relations.
From Year 2001 to 2008, the US provided aid in the Philippines with the most dramatic increase relative to other countries in the East Asia-Pacific region, most particular in Foreign Military Financing (FMF) programs that provides grants and loans to help countries purchase weapons and defense equipment produced in the United States as well as acquiring defense services and military training. Purchases through the FMF program are made through the Foreign Military Sales (FMS) program, which manages government-to-government sales. These programs are highlighted in the US notion arguing that it is as central to advancing America’s interests as diplomacy and defense (Tarnoff & Lawson, 2011). Table 1 provides the list of US aid for the Philippines in thousand dollars from the year 2001-2008 (Lum & Niksch, 2009).

**Table 1.**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CSH</td>
<td>9.4</td>
<td>25.6</td>
<td>22.9</td>
<td>28.8</td>
<td>27.1</td>
<td>24.6</td>
<td>24.3</td>
<td>17.5</td>
</tr>
<tr>
<td>DA</td>
<td>30.3</td>
<td>24.5</td>
<td>28.2</td>
<td>21.5</td>
<td>27.6</td>
<td>24.2</td>
<td>14.9</td>
<td>22.9</td>
</tr>
<tr>
<td>ESF</td>
<td>3.9</td>
<td>33.0</td>
<td>45.0</td>
<td>17.6</td>
<td>30.7</td>
<td>24.7</td>
<td>24.7</td>
<td>25.9</td>
</tr>
<tr>
<td>FMF</td>
<td>1.9</td>
<td>44.0</td>
<td>49.8</td>
<td>19.8</td>
<td>29.7</td>
<td>29.7</td>
<td>29.7</td>
<td>11.1</td>
</tr>
<tr>
<td>IMET</td>
<td>1.4</td>
<td>2.0</td>
<td>2.4</td>
<td>2.7</td>
<td>3.0</td>
<td>2.9</td>
<td>2.7</td>
<td>1.5</td>
</tr>
<tr>
<td>INCLE</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>2.0</td>
<td>3.9</td>
<td>2.0</td>
<td>1.9</td>
<td>1.1</td>
</tr>
<tr>
<td>NADR</td>
<td>0.0</td>
<td>0.9</td>
<td>2.1</td>
<td>0.7</td>
<td>0.6</td>
<td>4.9</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>Peace Corps</td>
<td>1.8</td>
<td>2.4</td>
<td>2.6</td>
<td>2.7</td>
<td>2.8</td>
<td>2.8</td>
<td>2.9</td>
<td>2.7</td>
</tr>
<tr>
<td>PKO</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>15.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Totals</td>
<td>48.7</td>
<td>132.4</td>
<td>153.0</td>
<td>110.8</td>
<td>125.4</td>
<td>115.8</td>
<td>105.6</td>
<td>87.1</td>
</tr>
</tbody>
</table>

*Source: State Department as presented in CRS 2007*

The exercise of the FMF program, through the Excess Defense Articles (EDA) Program of US, in the Philippines is observed in the purchase of the US Coast Guard Hamilton Cutter (WHEC-715) and which was commissioned as the Barko ng Republika ng Pilipinas (BRP)
Gregorio del Pilar Pacific Fleet 15\textsuperscript{5} to patrol the disputed Spratly Islands. In addition, a new Landing Craft Utility (LCU) BRP Tagbanua was also commissioned, “the government will hire lead-in jet trainers to keep the skills of jet pilots especially fighter pilots active, one of its moves for the Air Force's modernization; other equipment to be acquired are surface attack craft, air defenders radars, long rang patrol aircraft, and close-air support aircraft; and for the Navy, the administration will purchase strategic sealift vessels with amphibious vessels, offshore patrol vessels, naval helicopters, and weather heavy endurance cutter” (Beltran, 2011, par. 13-15).

\textit{Chinese Economic aid to the Philippines}

In contrast to US which is a player in the Development Assistance Committee of the OECD, China has emerged as a new donor country separate from the DAC whose members are developed countries of the west. “The new donor’s increasing role is changing the aid landscape. New donors and modalities promise more resources and innovation for aid transactions and objectives (Aquino & Jensen-Joson, 2009). China’s emergence as a new actor in the international aid transaction present a new dimension in the global aid context, while projecting its soft power or its ‘chequebook diplomacy’ which includes development assistance, international trade, overseas investments, diplomatic initiatives, cultural influence, humanitarian aid, and disaster relief among others.

China is the 5\textsuperscript{th} top aid donor of the Philippines with US$460 million or 4.8\% of the country’s total aid receipt coming from Beijing (Africa, 2008). This amount covers grants, interest-free loans, preferential loans, joint ventures, scientific and technical cooperation projects

\textsuperscript{5} The Philippine military said the 46-year-old Hamilton Class cutter was acquired by the Philippine Navy through the United States Excess Defense Article. Some P450 million was spent to refurbish the ship and train personnel. The government also allotted P120 million for the warship’s operational maintenance for the next two years. It was bought using funds from the Malampaya Gas-to-Power Project of the Department of Energy (Beltran, 2011).
and medical assistance. The New York University Wagner School on Public Service’s study (2008) of Chinese aid strongly indicates that China has been providing significant and growing amounts of economic assistance to developing countries. However, Lum and Niksch (2009) cautioned that the some values may be inflated; “many loans represent offers or pledges that may not have been fulfilled. Some projects have been cancelled. Some aid endeavors involving several activities or taking several years to complete may have been counted more than once. And some PRC investments that were counted as aid may actually be foreign direct investments” (Lum and Niksch (2009) as cited in Aquino & Jensen-Joson, 2009, p. 12).

Chinese aid to the Philippines in the form of investments and loans were anchored on economic and joint development cooperation projects in infrastructure, agriculture, trade and tourism. This joint development cooperation was also considered as a policy framework between China and the Philippines in addressing the Spratly Islands dispute between China and the Philippines and among other claimant countries as provided in the Philippine-drafted policy framework, Zone of Peace, Freedom, Friendship and Cooperation (ZoPFF/C).

This US military aid for patrolling the Kalayaan group of Islands claimed by the Philippines in the Spratlys and the Chinese aid for joint development cooperation in the same area and in the main islands of the Philippines are the focus of this study. These foreign aid were viewed as factors influencing the Philippine foreign policy on the Spratly Islands. An explanation of how a policy transition from an aggressive stance to peaceful cooperation, though absent as a gap in the literature obtained for my paper, is filled using the data that these literature offers and other data obtained on the data gathering methods I used.

---

6 The research team found projects worth up to $25 billion in aggregate. Of this amount, $16.6 billion, or 66%, was provided in the form of loans (concessional loans or credit lines), $7.2 billion, or 29%, represented state-sponsored investment, and the remaining 5% included grants, debt cancellation or debt relief, and in-kind aid.
**Significant internal factors**

In the analysis of the Philippine Foreign policy decision in Spratlys emphasizing the influence of US and Chinese aid, the internal factors affecting the foreign policy cannot be discounted. My study does not necessarily give primacy to foreign aid as the sole determinant of foreign policy, but as a mechanism by the external interest in influencing policy decisions of a particular country. International or external influences are known policymaking consideration as well, aside from the internal ones. The government’s intent to modernize the Armed Forces of the Philippines and its counter-insurgency efforts as reasons for acquiring foreign aid; the influence of corporate interests such as the business tycoons that President Aquino III brought with him during his state visit to China last August 31-September 3, 2011 that seeks to invest in the exploration and exploitation of known resources in the islands; and the President’s political allies in Congress are of no less significance in my study. However, as a limitation of my study, these factors were viewed in terms of their relation to US and Chinese aid acquisition and not as single variables that will determine the direction of my research. These factors shall serve as supplemental concepts for analysis in relation to the role of US and Chinese aid and could be explored specifically by future studies on the Spratlys foreign policy.
THEORETICAL FRAMEWORK

The principle of conditionality in aid provided that the recipient country must agree and comply with the conditions attached with the aid being provided to them. Non-compliance on the conditions would mean the withdrawal or pull of present and future support of the donor country. This is the generic notion. However, with more literature emerging on the study of aid effectiveness as a response to emerging questions on aid transactions between countries, new theoretical positions also emerged.

Aid selectivity emerged as a framework for analyzing aid transactions between countries, over layering, instead of driving out aid conditionality in explaining aid transactions. This is due to more discriminate bases of donor countries in providing aid to recipient countries. From providing aid with various conditionalities for compliance, the new mechanism is concentrating aid on countries that have proven commitment to economic policies and other institutional considerations that are perceived by donor countries to help in development. The objective of providing aid also has its transition from reform to becoming predicated on being evidence of conformity already in place within the recipient areas. In a deeper analysis, conditionality was merely given another name, but in essence, it is of the same substance that conditions here are expected to be fulfilled by recipient countries ex ante rather than ex post (Burnell, 2008). Same conditions were applied, but same conditions are to be fulfilled first before rewarded by aid. This practice still lacks the aspect of a state party’s, particularly recipient country’s ownership of the aid⁷ that is necessary for economic and political improvement. Burnell (2008) argued that “more punitive even than the threat of penalties in the event of non-compliance with conditionalities, 

⁷ This means aid partners having “operational development strategies” [Paris Declaration]. The limitations of this approach are clear in the case of the Philippines where the government feels able to claim that it “has well advanced efforts to comply with the Paris Declaration principles [on ownership] (Africa, 2008, p.52).
aid selectivity actually implements sanctions first, by denying offers of aid to countries that are judged ineligible. This aid selectivity arrangement could penalize people of those countries who most desperately need international help to improve their capacity to manage their economic affairs” (Burnell, 2008, p.299).

On the other hand, the theory of post-conditionality as described by Harrison (2001) talks about the internalized donor involvement in aid situations in recipient countries where extreme financial or economic dependence, as well as provision of technical support from external sources is present. There is a seamless boundary created between the national and the external state environment. “Donor power is conceptualized as part of the state itself, not a strong external force to the state” (Harrison, 2001, p.669). This entails a mutual but unequal dependence between aid partners. Donor countries cannot easily break off relations easily, and this is done and preserved by having what Gould (2005) describe as a relatively direct control over core-politico-administrative functions in many poor states (as cited in Burnell, 2008).

**Social Exchange Theory**

For further analysis of the role of US and Chinese aid in the Philippine foreign policy on the Spratlys, considering foreign aid transactions as a form of exchanges of resources between the US, China, and the Philippines, the social exchange theory will also be relevant. This theory argues that in every resource-exchange transaction, there are actors possessing their own resources that are intended for exchange. According to Zafirovski (2005), social exchange theory conceptualizes power in terms of resources and the exchange of these resources wherein power relations resulted to the unequal or unreciprocated exchange of resource between such actors, in this case, the US, China and the Philippines, further resulting to social structural effects
manifested in the dependence of one actor to another. Moreover, rewards and punishment can be exercised by both actors but punishment in this sense cannot be coercive in form because of the assumption that each of the actor fear the loss of resources that they can obtain from another or the unfavorable possibility of retaliation of another actor to the other which may institute a coercive attitude in the exchange transactions.

With Weiss (2005) countering the myth of powerless state and arguing that rather than loss of state power, there has been structural and political entwinement—a mutual reinforcement of contemporary global networks and the domestic structures of nation-states in aid transactions, a social exchange variant of aid conditionality is established (as cited in Burnell, 2008). In Harrison’s (2001) aid selectivity model, aid transactions conform to a rational choice and principal-agent model of the relationship between states and external institutions. State parties in aid transactions are assumed to be self-interested, pursuing different objectives that are not coinciding. Mosley, Harrigan & Toye (1995) characterized these types of aid transactions as a bargaining process and an exchange relationship whereby each state party offers either financial aid on the one side or a formal agreement to carry out economic policy and institutional reforms on the other (Mosley, Harrigan & Toye, 1995 as cited in Burnell, 2008).

“The relationship takes on the character of a game, especially if the donor believes that the promise is unlikely to be kept. The actual terms of exchange will depend on the relative bargaining power of the two sides. The balance can shift dramatically after the deal has been signed and money has changed hands. Exceptions exists where lenders are canny enough to release their support only in stages, after closely monitoring the degree of compliance with the conditions, and if they judge their own interest is served best by forcing sanctions in the event of non-compliance. But sanctions can push countries to default on their debt and lose their creditable status do not serve the interest of lenders. This is an aid analysis using a social exchange theory variant” (Burnell, 2008, p.299).

*Rational Choice Institutionalism*
As particular strain of the new institutionalist theorizing, rational choice institutionalism posits that institutions operate like rational and utility-maximizing individuals. According to Peter Hall & Taylor (1996), institutions affect individual action by altering expectations an actor has about the actions that others are likely to take, in response to or simultaneously with his own action. Organizations often adopt new institutional practice or decisions to advance the means-ends efficiency of the organization itself. This theory explained how the transition from an aggressive to a peaceful foreign policy on the Spratlys was decided by the Philippines, in relation to foreign aid from US and China.

Taking into consideration the valuable assumptions of these theories in analyzing the relationship inherent in foreign aid to the Philippines and the kind of foreign policy adopted on the Spratlys issue, the theoretical foundation of this study is now laid down.
CONCEPTUAL FRAMEWORK

The theories that were stipulated in this study provide the undertakings of this research by further understanding the interrelationship of the dominant concepts and variables constituting these theories.

For this study, the focused aspect of US aid provided to the Philippines are aid for military purposes—arms and weapons and training grants transferred from US to the Philippines through the Foreign Military Financing (FMF) and the Foreign Military Sales (FMS) programs.
of US. On the other hand, Chinese aid is focused on investments, grants and loans transacted via government-government arrangements.

Using the social exchange theory variant on aid selectivity by Harrison (2001), there are two aid exchanges entered upon by the Philippine government as it came up with two different policy frameworks toward the Spratly islands. The US-Philippines aid transaction was characterized by the post-conditionality assumptions. The historic exchange of aid and profits for war industries created by the US military aid to the Philippines was already well entrenched in the Philippine politico-administrative function that even foreign policy matters were influenced by such relationship. In such exchanges, with the presence of these conditionalities on aid, a form of an unequal power relation is present between these countries due to an unreciprocated or exchange of resources between the Philippines and the US.

Likewise, China-Philippines aid transaction that is characterized by the third generation of aid conditionality influenced the second and the present foreign policy of the Aquino administration towards Spratlys. Exchanges in terms of aid will result to unrestricted Chinese resource exploration in the South China Sea due to Joint Development Agreements. The apparent transition from an aggressive foreign policy to peaceful joint development efforts is explained by the Rational Choice Institutionalism positing that the government adopted new institutional practice or decisions to advance the means-ends efficiency of the Philippine state itself.
Methodology

I used key informant interviews and secondary data gathering to obtain first-hand knowledge on the topic from political analysts, international relations experts and foreign policy experts through a purposive sampling by considering my topic as their fields of specialization. Also, their advocacies involve providing depth to foreign policy research initiatives and in promoting an independent and sovereign Philippine foreign policy. In addition, as in this type of international agenda, each state involved will inevitably express their positions on the issue through various speeches and/or diplomatic manifestations which were mostly written or declared, unilateral or multilateral in form; thus, discourse analysis is a valuable methodology. Chosen for discourse analysis was President Benigno Aquino III’s statements regarding the South China Sea diplomatic protest raised by the Philippines against China. These speeches or parts thereof were chosen because these reflect the Philippine foreign policy and manifest the national interest and stake of the Philippines on the Spratlys foreign policy. I first determined the intended audience of these speeches and then I deduced the meanings implicitly stated for the analysis. The influence of US and Chinese aid to the Philippine foreign policy on Spratlys was then discussed and concluded.

Secondary data gathering was conducted through library research (journal articles, news reports, government records, non-government organization’s records primarily obtained and provided by the IBON Foundation; laws and past policies implemented and formulated in the country in relation to the Spratlys claim; and the Congressional Research Service documents submitted to the US Congress for obtaining data on US perspective on aid transactions). Ethical
guidelines were considered during data collection through informed consent of the interviewees, as well as the confidentiality of their identity.

**Post-conditionality as embedded influence**

Burnell (2008) refers post-conditionality to the situation as the state of affairs of aid transaction inside the machinery of a government in developing countries, without involving heavy conditionalities or threats of sanctions in the face of non-compliance. This is due to the internalized donor involvement following extreme financial or economic dependence and the external provision advice and technical support for capacity-building.

According to Simbulan, “aid appropriated by the US government to military activities in our country are hidden behind economic programs by our government such as some development programs in Mindanao which are actually America’s means for surveillance and counter-insurgency operations in line with their war on terror activities in Asia and the Pacific” (R. Simbulan, personal communication, September 12, 2011). For Tuazon, “the aid themselves are sometimes the tied conditionalities, as in the case of military trainings. But major tied conditionalities involve policy concessions” (B. Tuazon, personal communication, September 30, 2011). On the other hand, key informants from the Diwang Magdalo Foundation provided that military trainings and military programs and policies are the usual conditionalities in military aid. Elaborating on this, they said that we have regular agreements with the US where we were sent our military personnel, basically for training because our aligned doctrines are relevant to them. There are also military operations agreed between our governments like the Balikatan exercises—aid is a policy bargain mechanism, strings are commonly attached on them. Their answers account to the post-conditionality nature of US military end even economic aid in
the Philippines. The long history of US-Philippine aid transaction institutionalized the insignificance of conditionality or sanctions if aid conditions were not complied with. This can also be observed in President Aquino III’s pro-US stance in the government’s policy on the Spratlys.

**US aid and profit from policy exchange**

In the conduct of my study, the first foreign policy on Spratlys was defined as the foreign policy decision adopted by the Aquino government invoking the Mutual Defense Treaty of 1951 between the US and the Philippines as a measure to continuously uphold its claim to the Spratlys. It is also the Aquino government’s declaration of its decision to purchase arms and military equipment from the US in case of Chinese aggression in the South China Sea. In the Congressional Research Service, Lum & Niksch (2009) said that a US policy on joint military cooperation with the Philippines in maritime patrolling in South China Sea will be another step forward towards military aid need of the Philippines for it would likely produce proposals for expanded U.S. military aid and training for the Philippine Navy.

Simbulan, Tuazon, and one of my key informants from Diwang Magdalo Foundation (DMF) said that the aid-policy link lies on US arms sale as a basis of influence. Simbulan said that “the US may allow the Philippines to purchase modern arms but it will not side with the Philippines against China, but they may benefit in selling those arms and military equipment” (R. Simbulan, personal communication, September 12, 2011). Tuazon said that “we’re in the stage of neo-colonialism, we cannot execute our function without military aid from the US, our functions were shaped by these military aid, we do no not want the fact that in case we failed to execute what they want, they will no longer provide us the aid that we needed” (B. Tuazon,
personal communication, September 30, 2011). The key informant from DMF justified his stand with the argument that the mere fact that President Aquino III declared the possibility of acquiring modern military equipment in the US, either through another military aid or loans, and the US saying that it will support the Philippines in cases of Chinese aggression in the Spratlys through such means suggests the US military aid influence toward the foreign policy on the Spratlys issue.

**Chinese aid selectivity, a punitive resource exchange**

China is one of the non-DAC aid donors that was now seen as changing the aid landscape in the global economic arena. The idea that Chinese aid is different from aid of DAC member countries was based on the assumption that no conditionalities were needed for compliance in relation to these aid. However, in truth, Chinese aid is characterized by selectivity rather than conditionality. Conditionalities were provided ex ante—more punitive than penalties to be incurred for conditionalities provided ex-post because these deprive aid for countries in need of aid for development assistance but who have not proven themselves to account for such ex ante conditions. In addition, “China appears to administer foreign aid in an ad hoc fashion, without a centralized system, foreign aid agency and mission, or regularized funding schedule” (Lancaster, 2007 as cited in Aquino & Jensen-Joson, 2009, p.14 ). According to Lum, Fischer, Gomez-Granger & Leland (2009), the Chinese government does not release or explain Chinese foreign aid statistics and much of PRC foreign aid does not appear to be accounted for in the scholarly literature on foreign aid.

In my study, a controversial form of Chinese aid, the interest-free loans and bilateral investments were given much attention in relation to the second Spratlys foreign policy. These
are loans usually granted in the context of a technical and economic cooperation agreement and usually favor the following sectors: culture, sports, agriculture and health. Assistance may take the form of “commercial loans, the size or the terms of which are not revealed, and investment, mostly in natural resources, through joint ventures or acquisition of licenses for production. Foreign direct investment flows may, at times, be the counterpart of loans, a phenomenon observed in Angola, Nigeria and Sudan. Chinese economic aid in the Philippines, as well as in most recipient countries of Chinese aid in Southeast Asia, were provided if the recipient government’s good human rights performance, strong economic management, environmentally responsible policies, market opening, and political openness were satisfied (Lum et al. 2009).

Policy first before aid

Foreign Affairs Assistant Secretary Cristina Ortega (2011) said that in the state visit by President Aquino on China, he signed the following agreements, primarily of which was the Joint statement on the South China Sea:

- Joint Statement on the South China Sea;
- Philippines-China Five-Year Development Program for Trade and Economic Cooperation;
- Memorandum of Understanding (MoU) Between the PCOO and State Council Information Office on Friendly Exchanges;
- Memorandum of Understanding on Sports Cooperation, Implementing Program on the MoU on Tourism; and
- Exchange of Letters on the Executive Program of the Philippines-China Cultural Agreement
These agreements were primarily focused on establishing economic ties between China and the Philippines through various forms of aid in the different sectors of the Philippine economy such as in trade, tourism, maritime exchanges and cultural ties.

On the September 1, 2011 Global Nation Article of the Inquirer newspaper, an agreement has been reached between China and the Philippines with regards to the matter of Spratlys. President Aquino and President Hu Jintao of China exchanged views on the maritime disputes and agreed not to let the maritime disputes affect the broader picture of friendship and cooperation between the two countries. “The two leaders reiterated their commitment to addressing the disputes through peaceful dialogue, to maintain continued regional peace, security, stability and an environment conducive to economic progress” (n.a., 2011, par.15).

The Zone of Peace, Freedom, Friendship and Cooperation or ZoPFF/C\(^8\) serves as the country’s official policy framework for exercising its Joint Statement on the South China Sea with China, the second Philippine foreign policy on the Spratlys dispute. It seeks to transform the South China Sea from a region of conflict into a zone of peace, freedom, friendship and cooperation among the claimant states in the region. Initial reports (Calica, 2011) upon the proposal of this framework on the ASEAN Summit talked of divided support among ASEAN countries but with support from China and the United States. In relation to the Spratlys issue, Balita reported that Chinese aid incurred after President Aquino’s state visit to China on August 30 to September 3, 2011 amounted to $2-$7 Billion worth of bilateral investments in agriculture, infrastructure, trade, and tourism to name a few (n.a., 2011).

\(^8\) See Annex 1
Aggressive to passive policy shift

I used policy discourse analysis by Des Gasper and Raymond Apthorpe to unpack the Philippine government’s rationale for the shift in the policy decision on the Spratlys. According to Gasper & Apthorpe (1996), “policy often has the sort of meaning seen in 'policy statement', 'policy release' or 'policy initiative'. Such 'policy' is a kind of gloss on events: typically a position that claims to be exemplary in some way is presented in language…” (p.6). President Aquino’s speeches manifest the president’s stand as the chief foreign policy architect of our foreign policy. I used the speeches posted in the Official Gazette⁹ of the Office of the President. First is the Press Briefing of President Aquino on June 14, 2011; second is his answers in an interview on June 22, 2011; third is his answers on another interview on June 27, 2011; fourth is the 2011 State of the Nation Address Technical Report; and lastly, the Joint Statement of the Philippines and People’s Republic of China on September 1, 2011. The intended audiences of the speeches were the President Aquino’s policymaker counterparts in US and China and the Filipino people considering the open access to these official documents, the content of the statements and the style and format of the speeches. The tone of the statements set to clarify matters concerning the dispute, provide the foundations of how he came up with the policy and the Philippine government’s commitment to peace and cooperation on the one hand and its firm trust on multilateral resolution on the other.

According to Gasper & Apthorpe (1996), policy analysis must be done by examining a series of interlinked aspects, including the formation and use of concepts, the use of tropes and other stylistic devices, framing, and the stories and narratives behind the policies. I used these

---

⁹ It is the official publication of the Republic of the Philippines, edited at the Office of the President of the Philippines pursuant to Commonwealth Act No. 638 as amended by the Administrative Code of 1987
four aspects of policy statement for discourse analysis and I provided the transition points to show how foreign policy shift on the Spratlys transpired. Table 3 shows the policy discourse analysis of the texts pertaining to Spratlys in the official statements of the Philippine government on June-December, 2011 on Spratlys, based on Des Gasper and Raymond Apthorpe’s Policy Discourse Analysis.
Table 1.
Policy Discourse Analysis of the texts pertaining to Spratlys in the official statements of the Philippine government on June-December, 2011 on Spratlys, based on Des Gasper and Raymond Apthorpe’s Policy Discourse Analysis

<table>
<thead>
<tr>
<th>SPEECHES (LINES) [TRANSCRIPTION]</th>
<th>CLAIMS</th>
<th>FORMATION AND USE OF CONCEPTS &amp; STYLISTIC DEVICES</th>
<th>FRAMING</th>
<th>STORIES AND NARRATIVES BEHIND THE POLICIES</th>
<th>POLICY NATURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. “Siyempre, kinatutuwa natin iyan [ambassador Thomas' speech expressing support for the Philippines on the South China sea issue].”</td>
<td>The Philippine government was relieved that the US support its policy decision on the South China Sea.</td>
<td>“siyempre” implies an enthusiastic agreement</td>
<td>“natin” is a form of inclusion of the audience in the experience; no othering is created</td>
<td>The Philippines declared a diplomatic protest in the international community with regards to Chinese’ intrusion in the Escoda Shoal of the Kalayaan Group of Islands in the Spratlys.</td>
<td>Statements 1, 2, and 3 are leaning towards the active role of the military in the Spratly Islands through their naval and maritime patrolling functions as a front duty.</td>
</tr>
<tr>
<td>2. “Niri-reiterate, lalo iyong pagpaalala na strategic partner tayo, na mayroon tayong treaty between us.”</td>
<td>The strategic partnership between US and the Philippines was emphasized. The need to “remind” the presence of strategic partnership by providing a treaty as a proof suggests indifference or lost recognition by one party on such partnership.</td>
<td>“reiterate” suggests an already established affairs and the need to highlight a point Strategic partner is a metaphor for long-term relations “treaty between us” reinforced the claim for strategic partnership</td>
<td>“tayo” is a form of inclusion of the audience as being part of the treaty; the audience themselves as having part on the decision</td>
<td>President Aquino III also declared that the Mutual Defense Treaty between US and the Philippines can be invoked, thus, seeking support from the Americans. President Aquino III also declared that the Mutual Defense Treaty between US and the Philippines can be invoked, thus, seeking support from the Americans.</td>
<td></td>
</tr>
<tr>
<td>3. “Ang issue lang, even a certain group are saying, “Bakit ba tayo sa ganito? Bakit mo binubunggo ang napakahiganteng bansa?” Hindi ko binubunggo. Ang ginagawa lang natin, pinoprotektahan lang natin ang karapatan”</td>
<td>He is arguing that we have a right on the Spratlys. There is also a manifested clarification of his act interpreted as</td>
<td>“napakahiganteng bansa” is used to describe China as a powerful country ‘Rights not exercised are rights abandoned’ is a well-used statement in sovereignty and</td>
<td></td>
<td>These statements justified President Aquino III’s policy on purchasing and accepting technical assistance and military equipment from the US through the latter’s Excess Defense Articles.</td>
<td></td>
</tr>
</tbody>
</table>
natin. Dahil ang karapatan natin kung hindi mo ie-exercise, inabandon mo.

<table>
<thead>
<tr>
<th>natin. Dahil ang karapatan natin kung hindi mo ie-exercise, inabandon mo.</th>
<th>aggressive by some, as a mechanism to exercise and protect rights on the islands.</th>
<th>human rights literature Rights protection was used as a euphemism for asserting rights on the Spratlys, while perceived by some as an act challenging China.</th>
<th>defense articles for patrolling the Kalayaan Group of Islands in the Spratlys</th>
</tr>
</thead>
<tbody>
<tr>
<td>He is appealing to people’s minds to justify an act/decision he’s doing.</td>
<td>“focus” suggests priority; concentration on this goal; central interest. Use of “parang” implies uncertainty; lack of clear knowledge on the actual necessary step to do.</td>
<td>The statement highlighted peace over conflict decision. Focused on reiterating the aim but did not mention that element/mechanism for achieving stability that will lead to increased living standards of the people.</td>
<td></td>
</tr>
</tbody>
</table>
| He is claiming that raising the people’s living standards is the main aim. He is providing the ground for compromise for peace and stability and a conflict situation. Increase in living standards of people can be achieved not through a conflict situation. | These statements were spoken by President Aquino III on December, 2011, three months after his state visit in China.
During the state visit by Chinese invitation, Chinese President Hu Jintao and President Aquino III first discussed bilateral agreements and economic relations with particular discussions on investments and loans as primary appetizers of discussion. The last agenda tackled was the issue on the Spratly Islands. Policy analysts described the Chinese stance as in accordance to the Sun Tzu Diplomacy. |
| “Iyong focus dito talaga, paano ba natin ito—parang the stability that will increase standards of living for the people concerned, so that we maintain the direction towards improving the standards of living and having peace that is necessarily for them rather than go into a conflict situation.” |

5. “The government underscored that the maintenance of peace and stability in the West Philippine Sea is of paramount concern to the Philippines and that the full implementation of the ASEAN-China Declaration on the Code of Conduct on the West Philippine Sea is imperative,”

This implies an official nature of the statement with the government underscoring the goal. Implies that there is no alternative to the ASEAN-China Declaration on the Code ‘underscore’ implies stressing a point and reinforcing the importance of the point of the statement paramount concern suggests the superiority of maintaining peace and stability in the WPS Presents a limited option in the conduct of policy decision making towards the Spratly Islands Excluded the justification for this policy decision, appealing to what the people preferred by default.
The discourse analysis provided the rational institutionalist approach of the Philippine government in addressing the Spratlys territorial dispute issue. According to White, “because preferences are always being interpreted and because they can and do change, [policy] entrepreneurs are not limited to traditional brokering roles, but can and do trade in the currency of ideas and problem solving strategies to build coalitions and promote change” (1994, p.516).

The change in the foreign policy is attributed to President Aquino III’s consideration of creating an environment conducive for progress fuelled by investments and loans from China. With greater cost than benefits on pursuing an aggressive stance against China’s position on the dispute, a rational choice institutionalist consideration affected Aquino III’s stance on the
islands. This position did not necessarily eliminate the influence of the US aid transaction because of the already institutionalized involvement of US in the Philippine politico-administrative affairs. The shift in policy transpired because of the greater weight provided on diplomatic resolution than resorting to political conflict which proves that political conflict is less about negotiating clear interests and more about framing policy issues, in this case, the issue of peace that will engender stability and an environment for peaceful cooperation between countries in conflict in the South China Sea that in the end will create an “increased living standard for the people,” as framed in the policy statements of President Aquino.
CONCLUSION

The change in the usual dimension of aid as characterized by post-conditionality in US military aid to ex-ante conditionality and aid selectivity in Chinese economic aid to the country influence the changes in our government’s foreign policy on the Spratlys. Post-conditionality inherent in US aid provided for an internalized involvement of US in Philippine politico-administrative functions due to too much dependence of the latter on US aid.

While the Philippines asserted its territorial claim on the islands, the basis of such decision was anchored on the absence of independent and sovereign foundation which is the primary requisite in formulating foreign policy decisions that well serve the self-determination and national interest of the country. However, the resource that the US military aid can provide through this aid transaction cannot be discounted considering the capacity it can build for addressing the first foreign policy’s goal of protecting and patrolling the Spratlys against possible intrusions in the future. An important theoretical finding is the inadequacy of the social exchange theory to account to the fact that a continued exchange relations still exist despite the apparent absence of mutual exchanges between the US and the Philippines.

My key informants provided that there are various forms of conditionalities ranging from military trainings, surveillance operations and even policy bargains implemented in the country still existing today. Common among the responses were conditionalities in the form of policy concessions. Other forms of conditionalities take the form of the aid themselves.

It was established that there is a linkage between the US military aid in and the Chinese economic aid and their influence on the nature and shift of the Philippine foreign policy on Spratlys. A significant finding suggests that aid can be the conditionality itself influencing the
policy of the Philippines. The internalized involvement of US in the Philippines established by its aid system created an honored Philippine commitment to US-RP special relations which, aside from the US military aid, also forms part of the informal institutions influencing foreign policy decisions of the government.

Aside from differences in the nature of aid as to the field of purpose, a distinction was also present within the inherent conditionalities in them. An understanding on aid selectivity as being applied by China in its aid transactions justified the notion on Chinese aid that it has no conditionalities due to the fact that aid is given after the conditionality is complied with by the recipient country. Chinese aid for this matter is characterized to be punitive for it deprives countries that would not comply with the ex-ante conditionalities but that really need the aid for their development.

The foreign policy shift from an aggressive stance to a peaceful cooperation giving primacy to increased living standard of the people and peace and stability through creating an environment conducive for economic progress over the protection and exercise of rights on the Spratlys is explained by the cost-benefit calculation of the foreign policy organization of the government headed by our chief foreign policy architect—the President. The effect of internalized involvement of US created more cost on the efficiency of the foreign policy organization rather than providing benefits as is the strength of a peaceful stance through economic and peaceful cooperation with China.

What can be observed in the second foreign policy is China’s use of the Sun Tzu Art of War where the “skillful leader subdues the enemies' troops without any fighting; he captures their cities without laying siege to them; he overthrows their kingdom without lengthy operations
in the field” (Sun Tzu, n.d., par. 6) China captured the Philippine interest on the islands and used this as an opportunity to induce the government with a joint development cooperation through investments as aid to the country.
REFERENCES


Department of Foreign Affairs (DFA), (2011). Philippine Paper on ASEAN-China Zone of Peace, Freedom, Friendship and Cooperation (ZoPFF/C) in the WPS (SCS)


Milbrath, L. (n.d.). *Interest Groups and Foreign Policy* [from Domestic Sources of Foreign Policy by James N. Rosenau [ed.]. London: Collier-Macmillan Limited


Simbulan, R. (2009). Forging a Nationalist Foreign Policy. Quezon City, Philippines: IBON Books


No author. (August, 2011). Aquino’s visit to China to generate about $ 2-$ 7-B worth of investments. *Balita*


APPENDIX A: REQUEST LETTER TO INTERVIEW

Dear Ma’am/Sir:

Greetings!

I am Mary Rose DV. Flores, a fourth year BA Political Science student at the University of the Philippines Manila. As part of the requirements in my Qualitative Research subject, I would like to request an interview with you regarding the influence of foreign aid of the U.S. government for military and security operations and activities in the Philippines to local policy toward the Spratlys issue.

My research, entitled “Unmasking the Reality of Foreign Aid: The Role of US Aid in the Foreign Policy adopted by the Philippine Government on the Spratlys Issue,” aims:

1) To determine the purpose of foreign aid provided by US through the US government and multilateral institutions to the country, particularly aid with military and security purposes in nature;
2) To determine the tied conditionalities attached to foreign aid for the military and national security operations in the Philippines; and
3) To determine and analyze the foreign policy adopted by the Philippine government on the Spratlys issue in relation to the US foreign aid to military operations in the country.

Attached is the list of main questions to be raised during the interview. In light of this, I would also like to ask the permission to bring an audio recording device during the interview. I will ensure you of the purely academic purpose of this interview.

I may conduct the interview with you on __________. But if you would prefer to set a different schedule, feel free to contact me anytime at avrelataz@yahoo.com or at 09157645615. Thank you very much for your consideration. I am looking forward to meeting you and learning from you to help me in my research.

Sincerely,

Mary Rose DV. Flores
APPENDIX B: INTERVIEW GUIDE

Purpose of Foreign Aid (US) provided to the Philippines

1. Since when did the US government provide aid to the Philippines, particularly military aid?
2. How are these aid channeled to the Philippines?
3. What are the multilateral institutions dominated by the US that provide foreign aid to the Philippines?
4. What is the Standard Operating Procedure of receiving foreign aid as practiced in the country?
5. In what manner are transactions on the acceptance of US aid by the Philippine government made, in terms of the public’s involvement? How are these transactions made known to the public?
6. What are the objectives of such foreign aid on the perspective of the donor country which is US, and on the perspective of the Philippine government as the recipient country?
7. Do you think the US government has an implicit interest not known to the Philippine government pertaining to its aid? If there is such an implicit interest, how would you define such interest?
8. What are the early military operations funded by the US? What are the purposes of such military operations?

Tied conditionalities attached to foreign aid for the military and national security operations in the Philippines

1. Based on various publications of non-government organizations such as the IBON Foundation, inherent in Official Development Assistance provided by the US government to the Philippines are the tied conditionalities that the Philippine government must fulfill or be in agreement with, before the actual delivery of such aid are provided. Why do you think does the US government provide such conditionalities instead of merely providing the aid, if they are considering their aid to the Philippines as a humanitarian and altruistic cause?
2. Some of the known policies or projects adopted and implemented in the Philippines include the $2.8B loans provided by the International Financial Institutions (IFIs) such as the World Bank with the tied conditionality of the adoption of the structural adjustment programs; infrastructure project funds from Japan International Cooperation with the tied conditionalities of the entrance of Japanese contractors and corporations to do the projects; and the “Mindanao Natin” livelihood project of the Arroyo Administration to be used for surveillance operation of Muslim communities against the ‘war on terror’ US policy in the Philippines.
3. What are the conditionalities attached with regard, particularly, to military projects and policies in the country operated through the official development assistance of US?
4. How do such tied conditionalities shape the decisions of Philippine policymakers on the policies that they adopt, particularly in relation to Philippine foreign policy?
5. What are the means through which the US intervene in Philippine decision making in relation to the aid they are providing?
6. How do these tied conditionalities specifically shape the direction of the Philippine Foreign policy adopted in terms of security and territorial claims issue in the Spratlys?

Foreign policy adopted by the Philippine government on the Spratlys issue in relation to the US foreign aid to military operations in the country

1. What are the recent military operations in the Philippines funded, in full or in part, by the US government?

With regard to the Philippine government’s decision of invoking the Mutual Defense Treaty of 1951 and the purchase of modern arms from US due to the allegations of Chinese aggression in relation to the Spratlys issue, how does the foreign aid provided by the US affect such decision of the Philippine government?
ANNEX 1

DECLARATION ON THE CONDUCT OF PARTIES IN THE SOUTH CHINA SEA

The Governments of the Member States of ASEAN and the Government of the People's Republic of China,

REAFFIRMING their determination to consolidate and develop the friendship and cooperation existing between their people and governments with the view to promoting a 21st century-oriented partnership of good neighbourliness and mutual trust;

COGNIZANT of the need to promote a peaceful, friendly and harmonious environment in the South China Sea between ASEAN and China for the enhancement of peace, stability, economic growth and prosperity in the region;

COMMITTED to enhancing the principles and objectives of the 1997 Joint Statement of the Meeting of the Heads of State/Government of the Member States of ASEAN and President of the People's Republic of China;

DESIRING to enhance favourable conditions for a peaceful and durable solution of differences and disputes among countries concerned;

HEREBY DECLARE the following:

1. The Parties reaffirm their commitment to the purposes and principles of the Charter of the United Nations, the 1982 UN Convention on the Law of the Sea, the Treaty of Amity and Cooperation in Southeast Asia, the Five Principles of Peaceful Coexistence, and other universally recognized principles of international law which shall serve as the basic norms governing state-to-state relations;

2. The Parties are committed to exploring ways for building trust and confidence in accordance with the above-mentioned principles and on the basis of equality and mutual respect;

3. The Parties reaffirm their respect for and commitment to the freedom of navigation in and overflight above the South China Sea as provided for by the universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea;

4. The Parties concerned undertake to resolve their territorial and jurisdictional disputes by peaceful means, without resorting to the threat or use of force, through friendly consultations and negotiations by sovereign states directly concerned, in accordance with universally recognized principles of international law, including the 1982 UN Convention on the Law of the Sea;
5. The Parties undertake to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability including, among others, refraining from action of inhabiting on the presently uninhabited islands, reefs, shoals, cays, and other features and to handle their differences in a constructive manner.

Pending the peaceful settlement of territorial and jurisdictional disputes, the Parties concerned undertake to intensify efforts to seek ways, in the spirit of cooperation and understanding, to build trust and confidence between and among them, including:

a. holding dialogues and exchange of views as appropriate between their defense and military officials;

b. ensuring just and humane treatment of all persons who are either in danger or in distress;

c. notifying, on a voluntary basis, other Parties concerned of any impending joint/combined military exercise; and

d. exchanging, on a voluntary basis, relevant information.

6. Pending a comprehensive and durable settlement of the disputes, the Parties concerned may explore or undertake cooperative activities. These may include the following:

a. marine environmental protection;
b. marine scientific research;
c. safety of navigation and communication at sea;
d. search and rescue operation; and
e. combating transnational crime, including but not limited to trafficking in illicit drugs, piracy and armed robbery at sea, and illegal traffic in arms.

The modalities, scope and locations, in respect of bilateral and multilateral cooperation should be agreed upon by the Parties concerned prior to their actual implementation.

7. The Parties concerned stand ready to continue their consultations and dialogues concerning relevant issues, through modalities to be agreed by them, including regular consultations on the observance of this Declaration, for the purpose of promoting good neighbourliness and transparency, establishing harmony, mutual understanding and cooperation, and facilitating peaceful resolution of disputes among them;

8. The Parties undertake to respect the provisions of this Declaration and take actions consistent therewith;

9. The Parties encourage other countries to respect the principles contained in this Declaration;

10. The Parties concerned reaffirm that the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region and agree to work, on the basis of consensus, towards the eventual attainment of this objective.

Done on the Fourth Day of November in the Year Two Thousand and Two in Phnom Penh, the Kingdom of Cambodia.
For Brunei Darussalam

Mohamed Bekiik
Minister of Foreign Affairs

For the People's Republic of China

Wang Yi
Special Envoy and
Vice Minister of Foreign Affairs

For the Kingdom of Cambodia

HOR Namhong
Senior Minister and Minister of
Foreign Affairs and International Cooperation

For the Republic of Indonesia

Dr. Hassan Wirayuda
Minister for Foreign Affairs

For the Lao People's Democratic Republic

Somawat Lengsavat
Deputy Prime Minister and
Minister for Foreign Affairs

For Malaysia

Datuk Seri Syed Hamid Albar
Minister of Foreign Affairs

For the Union of Myanmar

Win Aung
Minister for Foreign Affairs

For the Republic of the Philippines

Dias F. Ople
Secretary of Foreign Affairs

For the Republic of Singapore

Prof. S. Jayakumar
Minister for Foreign Affairs

For the Kingdom of Thailand

Dr. Surakiart Sathirathai
Minister of Foreign Affairs

For the Socialist Republic of Viet Nam

Nguyen Dy Nhan
Minister of Foreign Affairs