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US Defensive and Economic Interest in the Philippines

Summary:

The US has two main interests in the Philippines: defensive and economic (Lum, 2011). Currently, defense is concentrated on the Islamic separatists groups on the southern island of Mindanao. Reports suggest that Al-Qaida linked terrorists are in Mindanao with possible connections to Abu Sayyaf, Moro Islamic Liberation Front (MILF), Kumpulan Mujahidin Malaysia (KKM), and Jemaah Islamiyah (JI) (International Business Times, 2011; UPI Aisa.com, 2011). The concern is that this area is being used for fundraising and as a terrorist training ground. Economics is the other main interest. In addition to wanting US businesses to thrive in the Philippines, the US is concerned about the illicit economy that threatens the stability and profits of US businesses. While many illicit economies exist in the Philippines, the ones that should be of the greatest concern to US policymakers are the ones that strengthen terrorists groups and or weaken US business interests, these include drug trafficking, kidnap for ransom, and the sale of pirated and fake merchandise.¹

The paper recommends continuing the strategy of using joint counter insurgency operations (between the Joint Special Operations Command (JSOC) and Philippine forces) in Mindanao as it is successfully weakening terrorists groups (Niksich, 2003; Priest & Arkin, 2011). Additionally, continued intelligence must be collected to understand the trafficking routes and actors that help strengthen these organizations. US policymakers should also examine the

¹ Human trafficking is a major illicit economy in the Philippines, but there is not strong evidence that these are heavily associated with the terrorists groups or that it directly or significantly hurts US businesses. For these reasons, the lead role in reducing this economy should be taken by the Philippine government.

overnight elimination of the sale of pirated DVDs in Quiapo, Manila. What should be of interest to US policymakers is that if a mayor decides to stop an illicit economy, then it will stop. The US should examine what kind of negotiations happened to encourage the political will to stop the sale of pirated DVDs in Quiapo and continue to apply those tactics in the future. Finally, the US should try to have a better understanding of possible connections between mayors (and other government officials) and organized crime groups, i.e. between corruption and organized crime.

Defense:

The Mutual Defense Treaty signed in 1951 is the root of US defense interest in the Philippines (Lum, 2011; "Mutual Defense Treaty," 1951). Today, this treaty is the basis for the US's military presence in Mindanao to fight terrorism (International Business Times, 2011; Priest & Arkin, 2011; UPI Aisa.com, 2011). Reports suggest that Al-Qaida linked terrorists are in Mindanao with possible connections to Abu Sayyaf, MILF, KKM, and JI (International Business Times, 2011; UPI Aisa.com, 2011). Mindanao may be being used as a training ground, especially for bomb making techniques, and fundraising (International Business Times, 2011; UPI Aisa.com, 2011).

A major fundraising tactic maybe drug trafficking. Current reports suggest that the majority of methamphetamine in Southeast Asia originates in China, Myanmar, Malaysia, and the Philippines (UNODC, 2011, p. 41). But recent on the ground research suggests that many of the precursor chemicals for meth are coming out of India, being trafficked into Laos where the meth is manufactured, and then trafficked through Malaysia and through the "backdoor" into the southern Philippine island of Mindanao. Specifically, the meth is being trafficked into the

Autonomous Region of Muslim Mindanao (ARMM) by Muslim groups, purportedly the Abu Sayyaf and MILF (U. S. Department of State, 2009). Additionally, Iran appears to be entering the manufacturing business of meth (UNODC, 2011, p. 41). And, on the ground research suggests an influx of known Iranian drug members arriving in the Philippines.

Other than “backdoor” trafficking through Mindanao, the other central meth distribution zone is Manila. Currently, it is not clear whether the meth is being shipped into Manila ports or manufactured in Manila. It is clear though, that ARMM and Manila are the two central distribution zones in the Philippines. In addition to this being well known to local law enforcement it is supported using a price comparison. Comparing prices of meth around the country found that the price of meth becomes more expensive the further away one moves from the ARMM and Manila areas.

In addition to drug trafficking, kidnapping for ransom, extortion, bank robberies, and murder for hire all contribute to fundraising (BBC News, 2002; Torres, 2003). All of these are being combated through the cooperation between JSOC and Philippine military forces, and they appear to be fairly successful (Niksich, 2003; Priest & Arkin, 2011). Reports of weakening separatists groups are common, including a reduction of Abu Sayyaf membership from around 1000 to 250 and the killing of its leaders (Philippine Daily Inquirer, 2009; PhilStar.com, 2011).

Economic:

Economics is the other main interest. In addition to wanting US businesses to thrive in the Philippines, the US is concerned about the illicit economy that threatens the stability and profits of US businesses. One of the greatest threats is the production and distribution of

pirated DVDs and other counterfeit goods. Chinese organized crime appears to be a major player in the production of pirated software in the Philippines (Wong, 2007, p. 136). Lax laws, the technologically advanced region near Manila, and close proximity to ports, including three of the world's top container ports in Hong Kong (1), Singapore (2), and Taiwan (4), makes the Philippines a prime spot for the production of pirated software (Wong, 2007, p. 136). Interestingly, the distribution of pirated DVDs in the Philippines is almost completely controlled by Muslim groups, although not necessarily terrorist groups.

Recently, ground was made in Quiapo, Manila, one of the world's most notorious areas for buying fake and pirated merchandise, by eliminating the sale of pirated DVDs (Gutierrez, 2011; Office of the United States Trade Representative, 2011). Literally, on June 30, 2011 pirated DVDs were plentiful on the streets of Quiapo and on July 1, 2011 none could be found, all due to the political will of the mayor. It is not clear how long this will last, but what should be of interest to US policymakers is that if a mayor decides to stop an illicit economy, then it will stop. The US should examine what kind of negotiations happened to encourage the political will to stop the sale of pirated DVDs in Quiapo and continue to apply those tactics in the future. It should also raise questions of possible connections between mayors (and other government officials) and organized crime groups, i.e. between corruption and organized crime. When a mayor decides to stop an illicit economy, it stops. But, when a mayor decides to let it continue, there is usually a benefit to the mayor.

Recommendations:

The counter insurgency cooperation of JSOC and Philippine forces in Mindanao appears to be working well and the US should maintain operations as is in Mindanao (Niksich, 2003; Priest & Arkin, 2011). Additionally, continued intelligence must be collected to understand the trafficking routes and actors that help strengthen these organizations. As for economic interest, US policymakers should understand that if a mayor decides to stop an illicit economy, then it will stop. The US should examine what kind of negotiations happened to encourage the political will to stop the sale of pirated DVDs in Quiapo and continue to apply those tactics in the future. No matter what illicit economy the US or the Philippines wants to stop, one of the best places is at the municipal level. With the decentralization of the Philippines in 1991, there is great power resting in the mayors (Congress of the Philippines, 1991). Finally, the US should try to have a better understanding of possible connections between mayors (and other government officials) and organized crime groups, i.e. between corruption and organized crime.

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