

undesirable consequences. Notwithstanding Mischief Reef, the Philippines sees it in its interest to pursue long-term friendly relations with China, its immediate colossal neighbour to the north, for economic, political and strategic reasons. It was fortunate that strategically-oriented Filipino leaders and decision-makers from President Fidel Ramos, National Security Adviser Jose Almonte and top Foreign Affairs officials shared this appreciation.

- For China, the promotion of friendly relations with ASEAN is an important component of its foreign policy, especially at a time when relations with the United States are bound to be under severe strain over the Taiwan issue and American resistance to China's growing military power. ASEAN is viewed by China as a significant pole in her vision of a multi-polar world order. In this context, friendly ties with major ASEAN countries, including the Philippines, are necessary.
- Growing economic interdependence between ASEAN as a whole and China have also helped moderate the conflict at the multilateral level. Particularly since the Asian financial crisis broke in mid-1997, it was obvious that China and ASEAN could choose to either sink together or swim together. China made its choice clear by not devaluing the renminbi and by extending quite a substantial amount in aid to Indonesia and Thailand. The crisis has again placed primacy on economic cooperation issues, and underscores the need to properly manage disputes.

What are the obstacles to CBMs from the Philippine side?

- The biggest obstacle is the lack of consensus on how to pursue the confidence building process while the specific dispute over Mischief Reef remains unsolved. On the Philippine side, there seem to be different views on key issues emanating from the Department of Foreign Affairs, Defence, and Senate, with media joining the fray and often adding to the cacophony of voices. The lack of domestic consensus can be a serious constraint to the extent that the individuals tasked to negotiate with China may feel they do not have a solid mandate.
- For Manila, the key to regaining trust and confidence in China is very likely some progress in the status of Mischief Reef. It is strangely enough a question of "face" (which both China and the Philippines understand well) rather than strategic posture alone that is at stake here.⁴¹ That China has thus far ignored substantive Philippine concerns over Mischief Reef calls into question the entire confidence building process.
- The lack of a credible military force to back up one's diplomatic positions is, of course, germane to our study of confidence-building between asymmetrical states. The Philippine

⁴¹ Undersecretary of Foreign Affairs Lauro Baja, head of the Philippine side in the CBM working group, was quoted by Philippine media as having spoken to the Chinese of the deep "humiliation" that the Philippines suffered on account of Mischief Reef.