

4. The stakes involved in the dispute include not only sovereignty, territorial integrity, and access to hydrocarbon and living resources, but more importantly security against external threat.

5. The Philippines is prepared to engage China bilaterally on the issue, but considers multilateral initiatives (ASEAN, ARF) as well as international fora (Non-aligned movement, ASEM, UN) very important arenas where the quest for a peaceful resolution can be promoted. Knowing fully well its weakness vis-à-vis China (militarily, economically as well as diplomatically), the Philippines tends to use other international avenues to build support for its position, partly on the gamble that world public opinion will help moderate China's behaviour.

6. Chinese behaviour in the Spratlys appears to have caused some Filipino leaders to think twice about the role of its military alliance with the United States. Caught between the nationalist impulse to cut off its dependence on the United States and the imperatives of realpolitik, there is now growing support for using military ties with the United States as leverage against China.

7. For many Filipinos, the problem began with Mischief Reef and the main solution being sought is therefore one over the status of Mischief Reef. The search for long-term comprehensive solutions, although desirable in the long run, gives no immediate satisfaction for a leadership that mainly thinks short-term (at most corresponding to their tenure in office) and a public with short memories.

8. Major irritants for the Philippines are: the frequent presence of Chinese military vessels, intrusions by Chinese fishermen not only in disputed areas but into Philippine territorial waters, China's denial of the military purposes of Mischief Reef, and the fact that not only did China not show compromise on Mischief Reef but it even strengthened their hold through the construction in October 1998 of more permanent facilities with possible military uses.

From the above discussion one can see huge gaps in perception and attitude that point to the need of both sides to pursue dialogue and mutual understanding, and to undertake transparency and confidence-building activities.