



Background

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43

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THE U.S. CAN HELP MANILA REBUILD PHILIPPINE DEMOCRACY

INTRODUCTION

The real challenges for Philippine President Corazon Aquino are just beginning. Manila now must confront simultaneously the issues of constitutional reform, reconciliation with the remnants of the Marcos regime, economic crisis, and military reform. Should the Aquino government falter or fail, a communist movement that has deeply penetrated Filipino society waits in the wings to impose a totalitarian solution.

There is ample cause for optimism that the new Philippine government can meet its challenges. Aquino's victory is rightly viewed by most Filipinos as a victory for Philippine democracy, despite some lingering constitutional questions about who technically is the Philippines' president. Her government is committed to economic reform within a strengthened free enterprise framework. And the Armed Forces of the Philippines (AFP) is now led by a general who repeatedly has demonstrated willingness to institute badly needed military reforms.

Washington thus has an ideal opportunity to help the Philippines strengthen its democratic and free enterprise institutions. To do so, the Reagan Administration should work closely with the new Aquino government to pinpoint ways in which the U.S., along with other institutions and nations, can ease Manila's overwhelming economic, political, and security burdens.

U.S. economic assistance should strengthen the Philippine private sector by helping small farmers and businesses. U.S. influence in

international lending institutions can be extended to help reschedule debt, and food aid should be increased to meet near-term humanitarian needs. Military assistance deliveries should be accelerated and possibly increased as the Philippine Armed Forces implements needed reforms and devises a counterinsurgency program.

Congress should endorse this effort by appropriating the Administration's full requests for military and economic assistance for the Philippines. This is one case in which American foreign aid indisputably can make a significant difference to the recipient nation and serve vital U.S. interests.

ECONOMIC REVITALIZATION

Since the late 1970s, falling exports and international debt (now totaling \$26 billion) have contributed to a precipitous decline of the Philippine economy. Most damaging, however, were the Marcos policies undermining the free market and his encouragement of and participation in widespread corruption. During the last two years, the Philippine economy has shrunk 9.5 percent. Per capita GNP is only \$600, one of the lowest in the noncommunist nations of Asia.

Helping Manila reverse its economic decline should be a top priority for the Reagan Administration. Economic recovery, of course, depends more upon initiatives taken in Manila than in Washington. Key to recovery will be removal of constraints on the private sector imposed during the Marcos era. These discouraged both domestic and foreign investment, stifled entrepreneurship and imposed enormous inefficiencies on every sort of economic activity. There is reason to hope that the new government will promote free enterprise. Aquino's Finance Minister Jamie Ongpin stated recently: "I think the government should get out of business completely. Privatize everything...."¹

The World Bank and the U.S. for several years have recommended abolishing government control over the private sector. Policies likely to be implemented by the new government include: 1) elimination of monopolies in the sugar and coconut industries, key Philippine exports; 2) sale of bankrupt companies now in government receivership; and 3) an all-out attack against corrupt economic favoritism, or "cronyism" as it is called locally.

There is much enthusiasm in Washington to rush to the assistance of the new government in Manila. But as Ongpin observes, "The problems

1. Paul J. Gigot, "Manila's Economic Revolutionary," The Wall Street Journal, March 5, 1986, p. 32.

here are too severe and complex to assume that they can be resolved by throwing huge amounts of money at them."²

The U.S. can best help the Philippines by providing aid which best enables Manila's program for economic reform and long-term development to succeed. Special attention should be given to programs which assist small farmers, crop diversification, and small businessmen. It is too early to know what this program will entail, but as the new government devises its recovery program, the U.S. should work closely with the World Bank, International Monetary Fund (IMF), Asian Development Bank, and such major donor nations as Japan and Australia to formulate specific aid programs and projects designed to meet the needs of the Filipinos. Humanitarian food aid is needed immediately. Depressed sugar-producing areas such as Negros faced severe malnutrition last year, and prospects remain bad for 1986.

The U.S. should use its influence within such multilateral lending institutions as the World Bank and the IMF to reschedule Philippine debt repayments to give Manila time to launch its recovery. Increasing the Philippine quota of sugar exports to the U.S. would increase employment in depressed sugar-producing areas in the near term. Eventual recovery of the Philippine economy, however, will depend upon long-term policies, such as crop diversification, elimination of barriers to foreign investment, and expansion of the private sector.

MILITARY REFORM

Revitalizing the Armed Forces of the Philippines (AFP) must not be delayed. Aquino's victory over Marcos has forced the Communist Party of the Philippines (CPP) to reconsider its strategy. It may opt to pursue a legal struggle by sponsoring candidates in local elections and by infiltrating key public institutions. But it remains poised to resume "armed struggle." The CPP has political networks in all 73 Philippine provinces. Its guerrilla arm, the New People's Army (NPA), is active in sixty-three. Legal front organizations controlled or infiltrated by the CPP, such as BAYAN and the KFU (May First Movement) union front, can mount general strikes or demonstrations in most major cities.

The key to defeating the CPP is winning back grass-root support for the government. The trouble is that the past decade of Marcos rule has given the AFP a poor reputation in most rural areas. Its reputation was burnished some by its role in removing Marcos. It is burnished further as General Fidel Ramos, the new Chief of Staff,

2. Ibid.

removes many of the cronies whom Marcos had promoted to generals. Ramos has the opportunity to reestablish discipline and professionalism within the ranks of the Armed Forces. The AFP must move quickly, however, to devise an effective civil-military counterinsurgency program if it is to compete successfully with the CPP.

To succeed in counterinsurgency, the AFP must increase soldier pay and remedy critical deficiencies in training, transportation, and communications equipment. The Police Constabulary, the main branch of the AFP confronting the communist guerrillas daily, is particularly deficient in these areas. Just as the U.S. has recently started assisting police forces in El Salvador, Washington should consider providing aid to the Philippine Police Constabulary. The U.S. must work closely with the AFP to correct its deficiencies and to assist Manila's counterinsurgency program. The Administration should accelerate delivery of material assistance programmed for FY 1986 and should be ready to increase its FY 1987 request to better enable Manila to implement a counterinsurgency program. This is no time to curtail U.S. military assistance. To do so would seriously delay AFP reform.

In addition, the National Endowment for Democracy should continue funding the Philippine program of the AFL-CIO's Asian-American Free Labor Institute, which has successfully enabled noncommunist Philippine labor unions to counter the communist-controlled KMU.

POLITICAL LEGITIMACY

Many in the Aquino cabinet would like to declare a "revolutionary" government to bypass the Marcos machine that continues to dominate the National Assembly and most local government offices. Many mayors and governors, in fact, already have been summarily replaced.

Although it is for Filipinos to decide their path to political reform, the U.S. should urge the new government to follow constitutional procedures, except when it is absolutely impossible. Rather than declaring a revolutionary government, for instance, Aquino should consider using her considerable influence to persuade the National Assembly to nullify its previous vote count and declare her the victor in the February 7 election. Moreover, the Marcos machine in the countryside should not be dismantled by fiat, but rather replaced through local elections held as early as possible. This process will bestow full legitimacy on the new government.

THE MARCOS ASSETS

No issue in U.S.-Philippines relations is more sensational than the recovery of the assets acquired, almost surely illegally, by Marcos and his wife Imelda. But it would be a mistake to allow this complex legal problem to dominate U.S.-Philippine relations. U.S. assistance in helping Manila solve its pressing economic and security concerns is of far greater importance.

The U.S. cannot protect Marcos assets in the U.S. if they were acquired illegally. If the Aquino government can prove their illegality, then the Administration should cooperate with Manila to return that portion which is retrievable according to U.S. law. Washington, of course, also should help Manila gather the evidence proving the illegal origins of the Marcos horde. At the same time, however, Manila and Washington should remember that, despite his dismal and repugnant final years, Ferdinand Marcos long was a patriot and a loyal U.S. ally. As important, he agreed to leave the Philippines rather than stand and fight, thus sparing his countrymen and the new Aquino government great bloodshed. The U.S. should honor its promise of safe sanctuary for Marcos and his associates. Failure to do so may discourage other discredited rulers from accepting U.S. assurances that they would be safe if they left their countries peacefully.

CONCLUSION

The Philippines is now moving to reinvigorate its democracy. The main enemies of this are severe economic problems and a sophisticated communist insurgency. The U.S. has the resources and creativity to help the new Aquino government find solutions to these challenges. Promoting Philippine democracy and economic growth are vital U.S. interests and are the best means of defending such U.S. regional interests as access to Philippine military bases. As such, Congress should approve the Administration's full request for \$125.7 million economic and \$100 million military aid to the Aquino government. Additionally, in the coming months, the U.S. should:

- o Work with international lending institutions and other aid sources to assist Manila in devising and executing a major economic recovery program with special emphasis on restoring the vitality of the private sector.
- o Work with the Armed Forces of the Philippines to promote military reforms to enable the AFP to win public support. The AFP must improve its leadership and discipline and formulate a civil-military counterinsurgency program. The Administration should accelerate delivery of equipment programmed for FY 1986

and work with the AFP to ensure that future aid helps implement its counterinsurgency program.

- o Urge the new government to base its legitimacy on the February 7 elections and encourage Manila to hold local elections as soon as possible.

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