

AMERICA'S MESSAGE TO CORY AQUINO: TAKE FOUR STEPS FOR SURVIVAL

INTRODUCTION

Philippine President Corazon Aquino survived the December 1 attempt to topple her. It was the sixth unsuccessful coup attempt against her since she took office nearly four years ago. It is unlikely that she will survive the seventh or eighth. She balks at making those reforms, urged by Washington, that would strengthen her government. If she falls, which remains a serious possibility, she likely will be followed by a military government or a series of military juntas. This would be no improvement, but would create the kind of instability easily exploited by the Communist Party of the Philippines.

During the recent anti-Aquino coup attempt, George Bush wisely ordered American forces in the Philippines to side with Aquino. It is in the United States' interest that the Philippines resume its journey to political and economic freedom. A democratically elected Philippine government most likely will allow continued American access to Clark Air Base and Subic Naval Base. These bases better enable the U.S. to meet its foreign military commitments from Northeast Asia to the Persian Gulf. As such, Washington must use its political and economic leverage to push Aquino to take the steps necessary to save Philippine democracy and avoid the coup that ultimately will oust her.

There are four steps that Aquino must take:

Step #1: Defeat the military threat to Philippine democracy. This includes gaining the confidence of younger officers, addressing problems of interservice rivalry, and punishing military corruption. She must provide adequate

political and material support to her forces fighting the Communist Party of the Philippines (CPP).

Step #2: Quickly reverse the crisis of public confidence in her government. Her first priority here must be to attack her government's growing reputation for corruption and cronyism that is beginning to remind many Filipinos of the rotted regime of former President Ferdinand Marcos. In particular, she must reduce the influence of her family in government. This is one of the most potent issues used against Aquino by those who have organized the coups.

Step #3: Complete economic reforms that will restore domestic and foreign investor confidence. Such reforms include decentralizing bureaucratic control of development funds, accelerating privatization of government-owned corporations, and eliminating restrictions on foreign ownership of Philippine corporations.

Step #4: Conclude a new treaty with the U.S. for American use of Philippine military bases. The current Military Bases Agreement expires on September 16, 1991. A new treaty will bolster investor confidence and help preserve U.S. bipartisan support for economic and military assistance to Manila.

This message of reform is especially urgent given the federal budget crunch that has forced the Bush Administration to cut back on the Reagan Administration's 1988 pledge to make its "best effort" to obtain \$481 million in aid annually for 1990 and 1991. For fiscal 1990, U.S. aid to the Philippines will total \$385 million, down \$96 million from the 1988 pledge. This reduction does not take into account the \$160 million committed to Manila by Washington as part of the multi-lateral Philippine Assistance Plan.

However, even if Washington could afford more aid or undertake additional military intervention, Aquino would not be completely safe. Bush clearly understands this and thus dispatched Deputy National Security Advisor Robert Gates to Manila on January 17 to urge rapid reforms.¹ To reinforce this message, Bush should go further and send more personal envoys to repeat his message of urgent reform. Bush should warn Aquino that American military intervention may not be sufficient to save her from a future coup attempt and that the U.S. would be reluctant to use force beyond the non-combatant role of last December. And then, as a carrot, Bush should link disbursement of U.S. economic and military aid to Manila's progress in making necessary reforms.

1 David Hoffman, "Bush Acts to Buttress Aquino," *Washington Post*, January 18, 1990, p. 1.

AQUINO'S TIMID RESPONSE TO THE COUP ATTEMPT

In the two months since the December 1 coup attempt by military factions in the Armed Forces of the Philippines (AFP), Aquino has done little to strengthen her government.² This is regrettable because the coup attempt came very close to succeeding.

Rebel forces numbered about 3,000 troops, including elements of about seven Army Battalions, Air Force attack aircraft, and many Philippine Navy officers. The rebels also included elements from the Marines and the Army's elite Scout Rangers, which enjoy the reputation of being the best led and most effective units. The largest previous coup attempt, that of August 1987, was led by factions that also had opposed Marcos. This December's attempt was much more ominous; for the first time it brought together anti- and pro-Marcos military factions.

The December attempt would have succeeded if not for the U.S. Air Force's Philippine-based F-4 *Phantom* jets that were ordered by Washington to fly over Manila. This kept rebel aircraft grounded and allowed troops loyal to Aquino to gain the initiative.

Demonstrating Weakness. The coup attempt has also damaged the economy seriously. The rebels' four-day occupation of Manila's Makati business district, which demonstrated the government's weakness, is sure to scare away many potential foreign investors.³ The Philippines sorely needs the jobs they would create; unemployment in 1989 was 8.8 percent and underemployment was over 30 percent.

If Aquino fails to make reforms, her weakness is sure to invite further coup attempts. If a coup succeeds, it is unlikely that a military junta would be able to improve government. The coup leaders are divided; some merely want power while others appear to have legitimate complaints about Aquino's government. None of the coup leaders appears to have a plan for running the government. It is likely, moreover, that divisions among the rebels would erupt in a series of mini-coups, with the Philippines being run by a military junta. This resulting chaos would strengthen the communists.

Since the coup, Aquino has acted timidly. Many coup leaders have been captured, but many more, plus about 1,000 rebel troops, remain at large.⁴ Aquino sought emergency powers from the Congress to deal with the crisis, but these were trimmed to deal only with certain economic problems, like labor strikes. She reshuffled her Cabinet on December 31 in an effort to improve government efficiency, yet this appears to be cosmetic. She has not addressed fundamental issues of government credibility, like corruption, and difficult structural and free market economic reforms needed to restore

2 John McBeth and Roberto Tiglao, "Avoiding action," *Far Eastern Economic Review*, January 11, 1990, p. 8.

3 "The Cost of a Coup," *Asiaweek*, December 15, 1989, p. 28.

4 John McBeth, "Time for toughness," *Far Eastern Economic Review*, December 21, 1989, p. 12.

foreign and domestic investor confidence. If Aquino is to survive, she must take steps in four key areas.

STEPS FOR SURVIVAL

1) Lead the armed forces.

In the past Aquino has sought compromise with military rebels. But now she must crack down hard on them. Support for the rebels within the military remains strong. It is estimated that up to 70 percent of the Armed Forces of the Philippines are uncommitted to the government and might support the rebels if they gained the upper hand.⁵ Since the coup attempt, Aquino has fired two top military advisors and a Provincial Governor who supported the rebellion. Several rebel leaders also remain at large, including Colonel Gregorio Honasan, who led the smaller 1987 coup attempt and, significantly, helped lead the 1986 coup that put Aquino in power. Among the rebel's alleged principal civilian allies, Aquino has taken legal action only against long-time foe Senator Juan Ponce Enrile.

Aquino must work harder to gain the respect of the military. She must resolve deep rivalries between the Police Constabulary (PC), which is most loyal to her, and the Army, which resents the PC's political power and resents having to do most of the fighting (and take most of the casualties) against the communists. But officers fighting the communists feel they are not sufficiently supported by the government. Aquino should direct local government officials to support the AFP against the communists. The government has created "Peace and Order Councils" throughout the Philippines to encourage such cooperation, but they lack funds for programs that would undercut CPP support. The communists contest control of about 20 percent of the countryside.

Aquino must also crack down on corruption inside the military. As many as ten criminal syndicates are believed to be operating in the AFP's Southern Command, in Luzon island.⁶ Last June, troops from this command killed two policemen while robbing a bank car in Manila.

2) Address the crisis of confidence in government.

December's rebels in part mirrored general Filipino dissatisfaction with the Aquino government.⁷ Its credibility is challenged by its failure to deliver services, like garbage collection in Manila, and its failure to reduce corruption. Two weeks before the coup, Colonel Honasan accused the Aquino

5 "Candles and Coup Whispers," *Asiaweek*, January 5, 1990, p.18.

6 "The Military Cleans House," *Asiaweek*, July 14, 1989, p.29.

7 Matt Miller and Steven Jones, "Filipinos Feel Frustration With Aquino Government," *Wall Street Journal*, December 12, 1989, p. A17.

government of being rife with "anarchy, disunity, injustice, too much politics, rampant graft and corruption, and total disregard for the laws."⁸ Similar views were expressed last month by Marine General Rudolfo Biazon, who helped crush the last coup attempt: "We need institutions worth dying for."⁹

Allegations of corruption range from petty extortion by neighborhood policemen to a multi-million dollar land sale scam that last July forced the resignation of Secretary of Agrarian Reform Philip Juico. To make matters worse, accusations of corruption increasingly include members of the Aquino family. Example: Aquino recently fired the national telephone commissioner after he tried to break up the monopoly of the inefficient Philippine Long Distance Telephone Co., which is headed by her nephew.¹⁰ If Aquino does not reduce the influence of her family in politics, the crisis of confidence will continue.¹¹

3) Introduce free market economic reforms.

Aquino's failure to promote rapid economic development predictably fuels discontent. Nearly half of the population lives below the government-set poverty line.¹² Even before the coup attempt, potential investors were wary, due to Manila's inefficient bureaucracy and its deteriorating utilities. Following the December coup attempt, Aquino received limited emergency powers from the Philippine Congress to deal with such immediate economic problems as strikes. But this is not enough. She immediately must begin introducing the structural free market economic reforms required for economic growth; so far she has refused to push them.¹³

A main structural impediment to growth is Manila's highly centralized and inefficient bureaucracy. It is the "biggest deterrent to investment," says Robert M. Sears, first vice-president of the American Chamber of Commerce in Manila.¹⁴ One Philippine company's efforts to attract foreign and domestic investment by creating an "industrial estate" in Southern Luzon has been delayed by the need to get approval from the municipal, provincial, and national offices of the Department of Agrarian Reform, which seems opposed to non-farm land uses.¹⁵ Bureaucratic delay also is largely responsible for an estimated \$3 billion backlog in unspent foreign aid committed to the Philippines.

8 *Daily Globe*, November 20, 1989, p. 1, in FBIS-East Asia, November 20, 1989, p. 45.

9 Peter Waldman, "Waiting for 'Gringo' Is a Manila Pastime," *Wall Street Journal*, January 30, 1990, p. A14.

10 *Asiaweek*, December 1, 1989, p. 43.

11 "Cory, Coups, and Corruption," *Time*, January 15, 1990, p.41.

12 Miller and Jones, *op. cit.*

13 See Richard D. Fisher, Jr., "What Bush Should Tell Cory Aquino," *Asian Studies Center Backgrounder* No. 96, November 6, 1989.

14 "No Thrilla In Manila," *Businessweek*, November 6, 1989, p. 64.

15 Margot Cohen, "Hurdles to reform," *Far Eastern Economic Review*, January 11, 1990, p. 37.

Aquino should dismantle monopolies like the phone company. Phone service in the Philippines is poor and would be improved by greater competition. She also should accelerate greatly the privatization of over 200 government-owned and-subsidized corporations. This privatization program should be linked to expanded debt-equity swaps to reduce Manila's \$27 billion foreign debt. This process would reduce Manila's foreign debt by allowing creditors to swap debt for equity in Philippine enterprises. Lower debt means lower interest payments; these now-consume about 40 percent of Manila's national budget. Yet, Manila limits debt-equity swaps to \$180 million a year.

Aquino can encourage foreign investment by eliminating the rule which limits foreign ownership of Philippine companies to 40 percent.¹⁶ Investors are also deterred by protectionist legislation pending in the Philippine Congress. One bill would end the patent rights of foreign pharmaceutical companies. Without patents to protect their investment in their product, foreign drug companies will invest elsewhere.

4) Complete a new bases treaty.

The Military Bases Agreement governing U.S. access to Clark Air Base and Subic Naval Base expires on September 16, 1991. Negotiations for a new treaty were due to begin in December, but were delayed by the coup attempt. However, Aquino has yet publicly to support the retention of the bases by the U.S. A new treaty will contribute to Philippine stability. The bases employ about 68,000 Filipinos and U.S. forces annually spend about \$500 million in the Philippines. This spending is critical for areas like Pampanga Province, which contains the Clark Base, where communist political networks operate in up to half of the barrios.¹⁷ A new treaty also will improve foreign investor confidence as it will signal continued strong U.S. support for the Philippines.¹⁸ When she visited Washington in November, Aquino was told by Bush: "A new bases agreement will preserve bipartisan [U.S.] support for this continued economic and military aid."

HOW THE U.S. CAN PROMPT PHILIPPINE REFORM

Since Aquino came to power 1986, Washington has given Manila over \$1.7 billion to support democratic development. This exceeded a \$900 million aid pledge for 1984 to 1989 made as part of a 1983 review of the bases agreement. As part of the final review of the bases agreement in 1988, Washington agreed to seek \$481 million in military and economic aid annually for 1990 and 1991. Separate from this aid, Washington also agreed to seek \$1 billion over five years as part of a multilateral Philippine Assistance Plan (PAP).

16 Bob Broadfoot and Corina Larkin, "Economic Remedy for Philippine Unrest," *Asian Wall Street Journal Weekly*, December 18, 1989, p. 12.

17 *Stars and Stripes*, May 25, 1989.

18 Broadfoot and Larkin, *op. cit.*

U.S. budget constraints, however, have forced a cutback in aid committed to the Philippines. For fiscal 1990 the U.S. will give \$140 million in military aid and \$124 million in Economic Support Funds. With an additional \$121 million in development assistance and food aid, total aid for fiscal 1990 will be \$385 million, or \$96 million below the 1988 pledge. This does not include \$160 million committed for fiscal 1990 as part of the PAP.

Tying Aid to Reforms. This total of \$545 million is substantial, even though the cutback is likely to anger Manila. Congress and the Bush Administration must use the aid to spur Aquino to begin needed reforms. U.S. aid can be tied to specific reform targets. Indeed, aid appropriated for fiscal 1990 as part of the Philippine Assistance Plan is to be disbursed only as specific reform targets are completed. Example: U.S. aid that promotes privatization of government-owned corporations should be released as progress is made in privatizing those corporations. Aid disbursement also should be linked to progress in government decentralization and breakdown of monopolies.

To carry the American message to Aquino, Bush should send more high-level U.S. officials to Manila. They should stress that by deploying the U.S. F-4 *Phantoms* on December 1, helping Aquino's forces to win, the U.S. did not mean only to save her. What was — and is — to be saved is Philippine democracy.

In addition, they should stress that future U.S. military intervention is not likely if this would pit U.S. forces against Philippine forces. For one thing, such intervention would make the U.S. very unpopular in the Philippines. Already, the opposition parties that formerly approved of U.S. use of Philippine military bases now oppose it. For another thing, the Philippine intervention is not to be compared to the successful U.S. operation in Panama. In the Philippines Washington would have to commit a far greater number of troops, while U.S. casualties would also be much higher.

While telling Aquino that American troops may not be sufficient to save her, the Bush Administration must use its leverage to convince Aquino to make the political and economic reforms that will reduce the possibility of another coup attempt. Specifically, the Administration should:

◆ ◆ **Condemn the coup attempt, especially for its damage to democratic traditions of the Philippines.** The coup leaders should be warned that Washington is legally obligated to cut off military and economic aid to a militarily installed government. Under a military regime, Washington should note, U.S. forces probably would leave their Philippine bases, for it would be too costly to defend the 30,000 U.S. servicemen and dependents were the military rulers to be hostile to the U.S.

◆ ◆ **Urge Aquino to move forcefully against the coup leaders and against military corruption.** She should expel corrupt officers from the military.

◆ ◆ **Tell Aquino to counter her government's reputation for corruption.** She can do this best in the near term by curtailing the influence of family

members on government policy. Progress in this area will reduce a genuine grievance that her opponents used to gain support for their coup attempt.

◆ ◆ **Urge Aquino to make immediate economic reforms.** She should accelerate privatization of government-owned companies and decentralize the bureaucracy. To prompt these reforms, the Administration should work with the Congress to link all American economic aid to progress in Philippine economic reform. This already is being done with part of the funding for the Philippine Assistance Plan. The Administration should urge Japan and other major donors to the Philippines to link their aid to progress toward free market reforms.

◆ ◆ **Urge Aquino to eliminate rules that deter foreign investment.** She should seek immediate repeal of the rule that limits to 40 percent foreign ownership of Philippine companies. She also must oppose legislation pending in the Philippine Congress that would remove patent rights for foreign developed pharmaceuticals.

◆ ◆ **Tell Aquino that a new U.S. Bases Treaty should be negotiated as soon as possible.** Among other things, this will help preserve support in the U.S. Congress for current levels of economic and military aid.

CONCLUSION

The December 1 coup attempt by Philippine military factions nearly succeeded. Aquino needs to reassert control over the military and must provide them the effective means to combat the communist insurgents.

The deeper message for Aquino is that her government no longer can delay much needed political and economic reform. In particular, she can no longer tolerate corruption attributed to her family and must complete free market economic reforms that will help rebuild investor confidence. The message for American policy makers is that Philippine democracy is not yet secure. The U.S. will have to provide continued military and economic aid. But more important, Washington must prompt Aquino to take the key four steps necessary to save Philippine democracy while she has the time to do so.

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