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CAN U.S.-PHILIPPINE RELATIONS IMPROVE AFTER AQUINO DEPARTS?

INTRODUCTION

Philippine President Corazon Aquino deserves credit for rescuing Philippine democracy, but Washington should welcome with relief the end of her term this June. The challenges of defeating a communist insurgency and reviving a stagnant economy, which Aquino inherited from the failed regime of Ferdinand Marcos in 1986, are left to her successor, who will be chosen in elections on May 11. The new Philippine president must also rebuild relations with the U.S., whose post-1986 friendship, including support that brought her to power and \$3.4 billion in aid, have been squandered by Aquino. Her failure last September 16 to convince her hand-picked Senate to approve a ten-year base treaty with the U.S. led to the collapse of the U.S.-Philippine strategic relationship in late December 1991. U.S. forces must now vacate their last Philippine base, in Subic Bay, by the end of the year.

For Washington, the Aquino years have left the impression that Manila is an unstable and unworthy ally. The disappointing manner in which the U.S. was told to leave a base that has helped American forces preserve peace in Asia for nearly a century has reduced relations in 1992 to a historic low. Nevertheless, a new administration in Manila presents the Bush Administration with the opportunity to rebuild relations. Washington can now end the bases-for-money connection that cheapened U.S.-Philippine friendship, and with it, any residual guilt from American colonial rule that ended in 1947. President Bush can make clear to Manila that relations will not depend on U.S. aid, but on Philippine willingness to share responsibility for promoting economic growth and peace in Asia.

Improving Philippine-American Relations. But prospects for rebuilding U.S.-Philippine relations will depend even more on the outcome of elections to be held in the Philippines on May 11. Most presidential candidates want better ties with the U.S. They include House Speaker Ramon Mitra and former Defense Secretary Fidel Ramos, who both want to improve Philippine-American relations. Both have supported free market reforms that will strengthen the Philippine economy. Former Mar-

cos ally Eduardo Cojuangco also wants to improve relations with the U.S., but many fear he will revive the failed crony-capitalism of Marcos. Former Senate leader Jovito Salonga led the Philippine Senate last year to reject the bases treaty, and has been a consistent opponent of free market economic reform.

Free Market Priority. Regardless of who is elected, the first priority for U.S. policy toward the Philippines should be to promote free market economic reforms. A combination of natural disasters and delay of needed reforms has reduced economic growth in 1991 to zero, from 6.4 percent in 1988. About 40 percent of Filipinos live below the poverty line. Washington should urge Manila to implement such economic reforms as reducing bureaucratic control over the economy, lowering trade barriers, and improving property rights protection. To wean Manila from dependence on Washington's financial assistance, most U.S. economic aid should be ended in five years. But Washington can reward a new commitment to free market economic reform by making a free trade agreement with Manila a high priority. Such an agreement will generate real economic growth for the Philippines and test Manila's willingness to support free trade in Asia.

With the end of the 1947 Military Bases Agreement, the second priority for the U.S. should be to build a new military partnership based on the 1951 U.S.-Philippine Mutual Defense Treaty. But Washington should also make clear that a new military relationship will be linked to Manila's cooperation in sharing responsibility for preserving peace in Asia. One test of whether it is possible to rebuild such a relationship should be Manila's willingness to help the U.S. meet threats like Iraq's invasion of Kuwait. The loss of Philippine bases increases the expense and time it will take U.S. forces to respond to future threats in the Persian Gulf. If Manila allows U.S. forces to resume useful access to bases, the U.S. should respond by providing military equipment, such as retired ships and aircraft, that Manila needs to defend its 7,000 island domain.

The U.S. has a continued interest in the success of Philippine democracy and economic development. A revived military relationship with Manila can help the U.S. preserve peace in Asia. But after shabby treatment by the Aquino government, Washington has every right to expect that the main burden for rebuilding U.S.-Philippine ties rests with Manila. Washington can emphasize this by:

- ✕ Informing the new Philippine government that America favors a strong friendship with the Philippines but that Manila must share the burdens of promoting peace and prosperity in Asia.**
- ✕ Urging the Philippines to accelerate such free market economic reforms as completing privatization of government-owned companies, reducing bureaucratic control over the economy, and reducing tariffs, to reduce dependence on foreign aid.**
- ✕ Phasing out U.S. economic aid over five years in favor of a bilateral free trade agreement.**
- ✕ Encouraging Manila to revive the U.S.-Philippine military relationship and to purchase retired U.S. combat aircraft and ships.**

AQUINO'S MIXED LEGACY OF DEMOCRACY AND DECAY

Having saved Philippine democracy in February 1986 from the ruinous government of Ferdinand Marcos, President Corazon Aquino's term will probably be remembered more for her inability effectively to lead the Philippines. She succeeded most in reviving the pre-Marcos elite-based democracy. However, too often she proved unable to manage her divided cabinet, lead the new Philippine Congress, or eliminate military rebels. Finally, she delayed many free market economic reforms until the last part of her term. The result: much of the work of building a stable and prosperous Philippines is left to Aquino's successor.

Democratic Revival

Aquino's greatest success was to revive Philippine-style democracy and advance the protection of basic freedoms. Though long and ponderous, a new constitution was overwhelmingly approved in a national plebiscite in February 1987. This was followed by elections in May 1987 for a revived bicameral Congress to replace the unicameral National Assembly created by Marcos. Elections for about 17,000 local officials were held in March 1988. Aquino strengthened popular support for democratic pluralism by ending the financially rewarding access of Marcos's cronies to the presidential palace, ending the press censorship imposed by Marcos, and curbing military abuses of human rights.¹

However, Philippine democracy is neither efficient nor stable. Partly to blame was Aquino's aloof, indecisive governing style, due in part to her disdain for her country's family- and personality-based political culture that demands strong leaders. Accordingly, she failed to build a strong political party. To govern she relied on cabinet advisors often too divided to provide clear policy direction. She was also thwarted by the Congress, which could rarely unite to take effective action. The Philippine Senate, which is elected nation-wide and lacks local constituent accountability, was particularly uncooperative with Aquino. Though she campaigned in 1986 to end the government corruption that flourished under Marcos, corruption scandals blossomed throughout Aquino's term, often including members of her family. As a result, Aquino grew weak. Though in 1986, the year she came to power, her popularity rivaled that of a saint, in 1992 she cannot assure the victory of her chosen successor, former Defense Secretary Fidel Ramos.

Persistent Security Threats

A democratic revival under Aquino did undermine support for the Communist Party of the Philippines (CPP), but it remains the world's largest communist insurgent movement. By early 1992, CPP strength had fallen by about 15,000 guerrillas—down from about 26,000 in 1986. Its urban fronts lack support, and scores of top leaders have been captured.² This decline resulted largely from the Armed Forces of the Philippines (AFP) success in securing local political support and intelligence, and such CPP mis-

1 Rigoberto Tiglao, "March of pluralism," *Far Eastern Economic Review*, September 5, 1991, p. 16.

2 Caridad S. Bautista, "Military Claims Marked Decline in NPA Strength," *Manila Chronicle*, December 26, 1991, p. 8, in *FBIS East Asia*, December 26, 1991, p. 44.

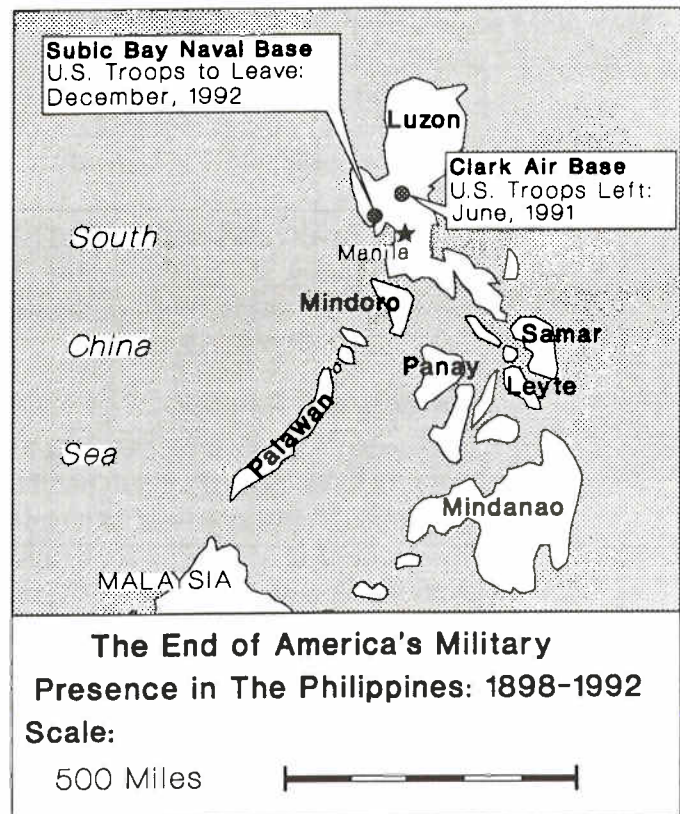
takes as conducting bloody internal purges, and the failure to craft a strategy to fight Aquino. But the CPP remains active. This February 15 a CPP ambush killed 41 AFP troops.³ And this January 17, a faction of the CPP urban guerrilla unit in Manila kidnaped Michael Barnes, a prominent American businessman, and demanded \$20 million in ransom. Philippine police freed Barnes this March 18, killing eighteen guerrillas in the process.

Military rebels are another threat Aquino leaves to her successor. Having participated in the February 1986 coup that brought Aquino to power, these rebels now regard a military role in politics as legitimate. Under Aquino, their grievances have included anger over policies governing pay and promotions within the military, political corruption, and opposition to the alliance with the U.S. In August 1987 and December 1989 rebels led unsuccessful attempts to overthrow Aquino. The latter attempt nearly succeeded, until U.S. Air Force jets based at Clark Air Base appeared over Manila and helped convince the rebels their cause was futile.

While many rebel leaders have been captured, future coup attempts are possible. Last October, AFP Chief of Staff General Lisandro Abadilla said the military had a "right to take over" if the May elections are fraudulent. Violent crime, often perpetrated by rogue military or police, is an increasing threat. These continued threats under Aquino have depressed confidence in Philippine stability, especially among foreign investors.

Economic Decay

Aquino failed to revive the Philippine economy. In 1991 Philippine per capita GNP was \$725, one of the lowest in non-communist Southeast Asia.⁴ About 40 percent of 66 million Filipinos live below the poverty line. About nine million are unemployed, with underemployment reaching 30 percent. As many as three million Filipinos work



3 William Branigan, "Philippine Rebels Show Violent Signs of Life," *Washington Post*, February 26, 1992, p. A26.
4 "The Bottom Line," *Asiaweek*, March 27, 1991, p. 6. By comparison, GNP per capita in 1991 for Brunei, \$17,000; Indonesia, \$605; Malaysia, \$2,462; Singapore, \$13,600; Thailand, \$1,605.

abroad to support their families. Such conditions are a result of Aquino's failure to promote sustained economic growth. For 1987 and 1988, Philippine GDP enjoyed a brief spurt, growing respectively by 4.7 and 6.4 percent. This was a commendable rebound from the 5 percent economic contraction of the last two years of the Marcos government. But after a major earthquake in July 1989 and the coup attempt the following December, the economy took a sharp fall. In 1990 GDP growth fell from 5.8 percent for the first quarter to -.57 percent for the fourth quarter.⁵ The devastation wrought by the eruption of Mount Pinatubo on June 15, 1991, led to a further economic decline: in 1991, the GDP contracted by 1.02 percent.⁶

Rapid implementation of free market reforms like privatization and trade liberalization would have helped the Philippine economy to achieve steady growth. Such reforms were supported by Jaime Ongpin, Aquino's first Finance Minister. After he left office in September 1987 Manila's commitment to free-market reform waned.⁷

Doing Little to Promote Growth. Ongpin had dismantled Marcos-era monopolies on sugar and copra, to the benefit of rural incomes. But other monopolies, like the National Power Corporation and the Philippine Long Distance Telephone Company, remain unchallenged. Phone and power services are still notoriously poor. The major economic issue for the Aquino government in 1987 and 1988 was land reform. The land reform law passed in June 1988 has done little to promote growth, having stressed redistribution of land over improvement of agricultural infrastructure or strengthening of corporate farms. Ongpin also wanted rapid privatization of government-owned corporations, subsidies for which had burdened Manila's budget by an additional \$669.9 million in 1988. Privatization proceeded slowly until the pace increased last year. In 1986 Aquino inherited 521 government owned corporations. By this February, 337 government-owned companies had been sold, 65 percent of the total.

Also disappointing is Aquino's failure to cut the size of government—the largest employer in the Philippines. Some 85 to 90 percent of government spending decisions are made at the national level.⁸ A local autonomy law passed last October will increase the power of local governments by doubling—from 20 percent to 40 percent—the share of national taxes returned to them. This surely is an improvement, but still restricts local officials who need freedom to allocate funds for projects like roads that can help stimulate economic growth. The ability of decentralization to spur growth is proven by the central Philippine island of Cebu, which reduced its dependence on Manila bureaucrats by funding its own infrastructure improvements and attracting foreign investors. Cebu grew about 25 percent in 1990.⁹

5 Rigoberto Tiglao, "Season of good cheer," *Far Eastern Economic Review*, December 19, 1991, p. 74.

6 Rigoberto Tiglao, "The Aquino legacy," *Far Eastern Economic Review*, April 23, 1992, p. 62.

7 Claudia Rosett, "Crucial Philippine Policies May Die With Ongpin," *The Wall Street Journal*, December 14, 1987, p. 25; William McGurn, "Corazon Aquino's Poverty Pimps," *The American Spectator*, September, 1990, p. 14.

8 McGurn, *ibid.* p. 16.

9 Ben Davies, "Cebu—a model for growth?" *Asiamoney, Special Supplement*, September 1991, p. 16.

Subsidies Prolonging Dependence. Despite a commitment made last year gradually to reduce politically popular subsidies for food and fuel, Manila remains burdened by these growth-inhibiting measures. Subsidies prolong Manila's dependence on foreign capital to finance budget deficits—overall foreign debt is about \$29 billion. Finance charges for this debt have eaten about 40 percent of the annual national budget for most of Aquino's term.

Foreign investment and trade remain the best hope for promoting growth, but Aquino has been slow to attract investors. A foreign investment code enacted in 1988 limited foreign ownership to 40 percent. Although this disincentive was softened by a June 1991 law that allows a three year experiment in complete foreign ownership in most sectors, there are plenty of other obstacles to international trade. Normal import tariffs are a high 30 percent. But even higher 50 percent tariffs protect inefficient industries like chemicals, paper, iron and steel. Of course, these tariffs only raise the cost for Philippine products, decreasing exports and economic growth.

HOW AQUINO LOST AMERICA

Corazon Aquino squandered the friendship of her government's strongest supporter, the United States. In 1986, Aquino's heroic stand against Marcos earned her the widespread admiration of Americans and a warm reception that October during an address to a joint session of the U.S. Congress. Under the Administrations of Ronald Reagan and George Bush, U.S. policy supported the Aquino government in order to help preserve Philippine democracy, demonstrate American support for emerging democracies, and to preserve U.S. access to Philippine military bases. First, Washington greatly increased military and economic aid, exceeding a pledge made during a 1984 review of the 1947 Military Bases Agreement (MBA) to provide \$900 million over five years. Total U.S. aid between 1985 and 1989 was actually \$1.7 billion. In 1988 a multilateral aid donors group organized by Washington, and called the Philippine Assistance Plan, pledged \$10 billion in aid over five years.¹⁰ Total U.S. aid under this plan has been \$420 million. In sum, total direct U.S. aid from 1986 through U.S. fiscal 1992 is over \$3.3 billion.

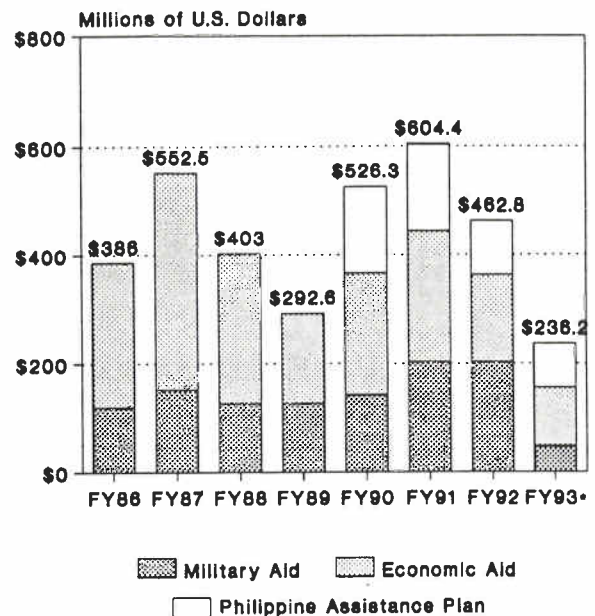
Repelling Serious Coup Attempts. American goodwill and aid also was backed by deeds. During 1985 and 1986, Washington urged Marcos to make political and economic reforms. The election he scheduled as a result led to Aquino's victory. Washington continued its support of democratic reform when on December 1, 1989, U.S. jet fighters screamed low over Manila, allowing Aquino's forces to repel the most serious military coup attempted against her government. Since rebel planes were bombing the presidential palace, U.S. action probably saved her life as well.

Yet, despite steadfast U.S. support, Aquino was largely indifferent toward a major U.S. interest: retaining access to Philippine military bases. Through most of her term, Aquino avoided the issue of the future of the U.S. military presence by insisting she

10 Other PAP participants include Australia, Belgium, Britain, Canada, Finland, France, Germany, Italy, Japan, Korea, Netherlands, New Zealand, Singapore, Spain, and Saudi Arabia.

was “keeping her options open.” Many of Aquino’s advisors bitterly opposed the U.S. bases, attacking them as vestiges of the American colonial rule that ended in 1947, and as the main reason why the U.S. supported Marcos for twenty years. Especially strident was the rhetoric of Philippine Foreign Secretary Raul Manglapus, a long-time opponent of the bases, who called Subic Naval Base and Clark Air Base part of a U.S. imperial “manifest destiny.” In February 1990, Aquino surprised Americans and disappointed many in the U.S. Congress, when to protest a \$96 million reduction in U.S. aid caused by the Gramm-Rudman deficit reduction law, she refused to meet with visiting Secretary of Defense Richard Cheney.

American Largess to Aquino: \$3.4 Billion Between 1986 and 1992



Note: Aid figures are for fiscal years. * - Administration request.
Source: U.S. Department of State.

Heritage DataChart

Making Matters Worse. Already weary of Philippine nagging and demands for more aid, American patience with Aquino was stretched to the limit during eleven months of negotiations in 1990 and 1991 for a new Treaty of Friendship, Cooperation and Security. Manila failed to recognize declining U.S. military and foreign aid budgets and demanded \$825 million in annual aid. To make matters worse, deep divisions within the Philippine negotiating panel over most issues concerning future American use of Philippine bases dismayed U.S. negotiators. As U.S. forces gathered to repel Iraqi aggression in January 1991, chief U.S. negotiator Richard L. Armitage chided Philippine negotiators for concentrating on “how quickly U.S. forces can be removed from their country,” at the expense of their obligations to a friend and ally. The eruption of Mount Pinatubo last June forced the U.S. to vacate Clark Air Base, and reduced U.S. willingness to commit large amounts of aid the Philippines.

In the end, Aquino’s deliberate disengagement from the bases issue helped torpedo the military relationship between Washington and Manila. Only after August 27, 1991, when the treaty was signed, did she forcefully lobby the Philippine Senate. By then she had less than a month to convince the Senate to approve the new treaty before the MBA expired on September 16. Aquino’s last-minute effort was out-manuevered by Senate President and ardent bases opponent Jovito Salonga, and the pact was rejected by a twelve to eleven vote. The senators ignored polls that showed consistent, high support for the bases, the 60,000 jobs they provided Filipinos, and the \$200 million in annual aid the U.S. offered for a ten-year treaty. Buoyed by popular anger with the treaty rejection, Aquino considered organizing a national referendum to reverse the Senate vote, but backed down when a political skirmish loomed.

Challenging U.S. Policy. Instead, following the suggestion of some Senate opponents of the treaty who feared the economic impact of an immediate U.S. withdrawal, Aquino tried to organize a three-year phased U.S. withdrawal from Subic. The U.S. agreed to an extended withdrawal, but wanted to retain most base rights under the old MBA during the withdrawal. Philippine negotiators, however, were obstinate. By December 1991, they were trying to impose conditions on the U.S. that would have subjected the U.S. Navy to Philippine government control and possibly increased the expense of the withdrawal. Also demanded were restrictions that would have challenged the U.S. policy of neither confirming nor denying the presence of nuclear weapons on its ships or aircraft. American patience ended last December 27, when Washington accepted a Philippine notice that obligates the U.S. to leave Subic Bay by the end of 1992. By this July, most of the 48,000 Filipino base workers will be laid off.

U.S.-Philippine relations are now at a historic low. In Washington there is widespread disappointment with Aquino and with Philippine politicians for having allowed a mutually beneficial strategic relationship to collapse. In the Pentagon, once the most vigorous defender of Philippine policy, there is understandably little interest in helping the Philippines. So far this year, Aquino has only further alienated Washington. On March 3, Aquino government spokesman Horacio Paredes denounced as "hard-hearted" U.S. plans to remove equipment from Subic paid for by U.S. taxpayers. Meanwhile, Filipino looters have stolen most of the usable equipment from Clark Air Base, from hospital equipment to bathroom fixtures. And oddly, on March 13, Paredes criticized as "interference" in Philippine affairs a remark U.S. Ambassador Frank Wisner made to a reporter. The Ambassador had opposed military coups.

THE MAY ELECTIONS AND THE MAIN PRESIDENTIAL CANDIDATES

The May 11 elections will be the most complex in Philippine history, combining what usually are separate presidential, congressional, and local elections. Filipinos will be expected to write the names of each of their choices for as many as forty offices on a single ballot. In addition to seven presidential tickets, they will have to choose each of their 24 Senators, plus their local House of Representatives member, provincial governor, mayor, and lesser officials. In all, over 17,000 elected posts will be at stake on one day.¹¹ As though this was not a recipe for enough confusion, there are also doubts whether the presidential election will produce a decisive result. Out of the seven presidential candidates, four are serious contenders: Ramon Mitra, Eduardo Cojuangco, Fidel Ramos, and Jovito Salonga. As often happens in the Philippines, should the victor receive only a slight plurality of the vote, the losers may actively contest the result.

Labeled Corrupt. Of the four major presidential candidates, two are centrists: House of Representatives Speaker Ramon Mitra and former Defense Secretary Fidel Ramos. "Monching" Mitra, 64, is viewed as the frontrunner because he leads the largest political party-machine, the Fight for Democratic Filipinos Party.¹² While Mitra is often labeled as a "traditional" politician (i.e., likely to be corrupt), he also has sup-

11 Rodney Tasker, "Taxing poll," *Far Eastern Economic Review*, February 27, 1992, p. 17.

12 Rigoberto Tiglao and Rodney Tasker, "Politics by numbers," *Far Eastern Economic Review*, March 19, 1992, p. 22.

ported economic reform and strong relations with the U.S. Mitra advisor Congressman Gary Teves led the fight to pass a 1991 investment law that expanded opportunities for foreign investors. Last September, Mitra's House passed a resolution supporting the bases treaty. Mitra's vice presidential running mate, Marcelo Fernan, 64, is a respected former Supreme Court Chief Justice. Fernan is from the island of Cebu, which will appeal to the central Philippines, home to the nation's second largest voter bloc.

Fidel "Eddie" Ramos, 64, does not have the powerful political party machine as Mitra does, but Aquino belatedly threw her support to him in January. While Ramos is criticized for having been one of Marcos's top military officers, he benefits from having reduced the communist insurgent threat and defeated coup attempts against Aquino's government. Economics is not Ramos's strength, but in a speech last September he suggested the Philippines could learn from Mexico's example achieving growth through reform and free trade.¹³ For economic advice, Ramos relies on Negros Occidental Governor Daniel Lacson, who reversed his poverty and insurgency-racked province by removing his budget from Manila's bureaucratic tentacles and coordinating civilian support for the military. Ramos consistently has favored strong defense ties with the U.S. His running mate, Governor Emilio "Lito" Osmena, 53, is a successful business leader, also from Cebu.

Reviving Crony Capitalism. The strongest anti-government candidate, Eduardo "Danding" Cojuangco, 56, fled the Philippines with Marcos in February 1986. Critics accuse him of having become very wealthy through his close friendship with Marcos. Yet, his reputation for decisiveness and loyalty to friends is a political strength in the Philippines that has allowed him to gather a large following since his return from the U.S. in November 1989.¹⁴ While Cojuangco has campaigned against government interference in the economy and government assistance to prop up infant industries, critics fear that he will avoid free market reforms and revive the Marcos practice of crony capitalism—giving control of economic sectors to political allies. Cojuangco supported last year's base treaty with the U.S., but his running mate, Senator Joseph "Erap" Estrada, voted against the treaty. A popular movie star, Estrada, now 54, as Senator became a harsh nationalist critic of the U.S. and a supporter of leftist economic policies such as halting foreign debt payments.

On the left is former Senate President Jovito "Jovy" Salonga, 71, candidate of the Liberal Party. Salonga is respected for his extended and principled opposition to the martial law rule of Marcos. But his reputation was sullied as the first director of Aquino's Philippine Commission on Good Government (PCGG), created in the first hours of her term to recover the nation's wealth stolen by Marcos. By the time Salonga was elected Senator in 1987, the PCGG had become an instrument of retribution against Marcos supporters and was tarnished by corruption charges.¹⁵ While Senator, Salonga consistently opposed the U.S. bases and free market reforms, favoring instead such policies as debt repudiation and radical land reform. His running mate, Aquilino "Nene" Pimentel, 58, is known for his long opposition to Marcos and the U.S. bases.

13 Speech before the Makati Business Club, Manila Intercontinental Hotel, September 18, 1991.

14 Rigoberto Tiglao, "Power of the purse," *Far Eastern Economic Review*, February 20, 1992, p. 17.

15 John Peterman, "Battle for broadcasting," *Far Eastern Economic Review*, September 17, 1987, p. 26.

A NEW PHILIPPINE-AMERICAN PARTNERSHIP

Prospects for rebuilding U.S.-Philippine relations will depend on how Filipinos vote on May 11. But regardless of who becomes the next Philippine president, the end of the Aquino government and the end of the military bases relationship provide Washington and Manila with a clean slate on which to build a new partnership. The U.S. still has an interest in seeking such a partnership with the Philippines. With an educated work force, the Philippines could become an attractive site for American investors. The Philippines' location at the crossroads of Asia makes it a convenient site for transshipment and other service industries. Location also makes the Philippines potentially a valuable military partner, as it is roughly equidistant from potential trouble spots like the Persian Gulf and the Korean Peninsula.

The greatest U.S. interest, however, is in the future of Philippine democracy. It faces its gravest threat from a military coup. A successful coup would immediately endanger Americans in the Philippines. It would also revive the declining communist insurgency. A military - or communist-dominated Philippines would cause great misery for Filipinos, and possibly, a refugee crisis in Southeast Asia.

To build a new partnership with Manila, Washington should first sever once and for all an unhealthy idea in the minds of many Filipinos: that the U.S. represents nothing more than an endless supply of free or low-cost assistance. Because Washington needed Philippine bases to counter the Soviet threat in Asia, U.S. policy makers allowed Filipinos gradually to view an old alliance in strictly financial terms. As the sums demanded by Filipino negotiators increased over the years, the basis of the relationship deteriorated.

Washington can now gauge its relations with Manila on the interests shared by both capitals in the success of Philippine democracy and on Washington's main goals of promoting greater prosperity and peace in Asia. Especially after the recent years of regrettable treatment by the Aquino government, Washington is right to wait for Manila to seek better ties. But for its part, to help shape a new partnership with the Philippines, the Bush Administration should:

- ✓ **Inform the new government in Manila that the U.S. desires a partnership with the Philippines that shares the burdens of promoting prosperity and peace in Asia.**

Washington should make clear, however, that such a partnership will not depend on the level of U.S. economic and military aid, but on Manila's willingness to share responsibility for expanding free trade in Asia and opposing potential military threats to the Philippines and the United States. The U.S. should tell the new government that support for greater free trade between Asia and America will expand trade opportunities for both Filipinos and Americans. The U.S. should also emphasize that both countries have an interest in preventing any future hegemonic power from controlling Asia.

- ✓ **Urge the new government to complete a broad agenda of free market reforms that will facilitate domestic competition and foreign investment to promote growth.**

Washington and its allies no longer can afford billions of dollars in aid to subsidize Manila. Washington should strongly urge Manila to undertake a dramatic economic reform agenda to include:

- ☞ **Rapid decentralization** of Manila's minute bureaucratic control over provincial budgets.
 - ☞ **Complete privatization** of government-controlled and-owned corporations.
 - ☞ **Permitting real competition** in services like telecommunications, electric power, and inter-island shipping.
 - ☞ **Ending subsidies** for food and fuel that burden Manila's budget.
 - ☞ **Allowing 100 percent ownership** of all foreign investments.
 - ☞ **Eliminating high 50 percent tariffs** that protect inefficient import substituting industries.
- ✓ **Phase-out most American economic aid over the next five years and offer to negotiate a free trade agreement.**

Having given already over \$2 billion in economic aid over the six years of the Aquino government, Americans have demonstrated their generosity to the Philippines. However, the Aquino government has squandered the aid by failing to undertake economic reforms necessary to sustain growth. For 1993 the Bush Administration has requested \$189 million in economic aid, down from \$260 million for 1992. Such aid should continue to be reduced to less than \$100 million a year by 1997. It should be used mainly to respond to humanitarian needs following natural disasters.

Instead, the U.S. should offer something more valuable than aid: a free trade agreement. Expansion of trade is a proven route to economic growth. The value of handouts is equally established: they lead to dependence, stagnation, and ill will. As in the case of Mexico, a free trade agreement is the best way to assist free market economic reforms in the Philippines. Even before the completion of the North American Free Trade Agreement, Mexico has become a magnet for investors seeking better access to the U.S. market. A free trade agreement with the Philippines will have the same effect, while providing better opportunities for American investors. Philippine exports to the U.S. were \$3.5 billion in 1991, compared to \$2.1 billion in 1986 when Aquino took office. In 1990 the U.S. was the Philippines' largest customer, buying 38 percent of its exports. A free trade agreement between Washington and Manila would accelerate this positive momentum, and prompt other Asian countries to follow suit, thus expanding the benefits of free trade throughout the region.

- ✓ **Offer to build a new security partnership based on a real sharing of responsibility to meet common threats.**

The end of the Military Bases Agreement now provides the opportunity to build a new military relationship on the foundation provided by the 1951 U.S.-Philippine Mutual Security Treaty. U.S.-Philippine cooperation under this agreement has been sparse

in the last decade, because Manila lacked the ships and aircraft to conduct joint exercises with the U.S., and because it was preoccupied with the CPP insurgency. If the new Philippine government wants to cooperate with the U.S., Washington should respond by offering for sale to Manila at low cost, retired aircraft and ships. Washington also should offer to include the Philippines in military exercises it undertakes with Thailand and Singapore.

The end of the U.S.-Soviet Cold War does not diminish America's interest in a peaceful, prosperous Asia. The region remains volatile, its interests threatened by historic enmities and the ambitions of nations as diverse as North Korea and India. The rapid U.S. withdrawal from the Philippines has increased doubts in Asia about America's ability to protect the peace. Moreover, loss of access to Philippine bases will make more difficult and costly future U.S. military actions such as the recent war against Iraq. Relocation of U.S. military facilities to Japan and Guam will increase the reaction time for U.S. forces. To maintain American influence, the Bush Administration should seek better military relations with Indonesia, Malaysia, and Singapore, to include military exercises and access to military facilities. The U.S. eventually should seek a similar military relationship with the Philippines. But Manila must acknowledge that it shares with Washington an interest in a tranquil Asia.

CONCLUSION

In 1986 Americans cheered the victory of Corazon Aquino and supported the Reagan Administration's economic and military assistance to help her succeed. But in 1992 it is clear that the work of building a stable democracy and a growing economy is left to Aquino's successor. Both the Reagan and Bush Administrations tolerated Philippine slights and demands for aid so that negotiations to retain American access to Philippine military bases could proceed alongside U.S. efforts to promote peace in Asia. President Aquino and her government, sadly, were unable to sustain support for continued U.S. use of Philippine bases.

A new government in Manila offers the opportunity to build a new partnership based on free trade, economic growth, and shared responsibility to meet common security threats. If on May 11 Filipinos elect a president who advances free market reforms and seeks to repair an empty military alliance with the U.S., then Washington should consider a free trade agreement and better security ties. However, should the new president resume sniping at the U.S. and proceed to mismanage the economy with protectionism, failed leftist policies, or political favoritism, Washington should make no special effort to improve relations with Manila. The decision is in the hands of the Filipino people.

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