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The Philippines: A Year After Lifting Martial Law

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An Intelligence Assessment

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An Intelligence Assessment

*Information available as of 19 January 1982
has been used in the preparation of this report.*

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The authors of this assessment are [redacted]
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**The Philippines:
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Key Judgments

One year after the lifting of martial law, progress toward greater democracy in the Philippines remains limited. President Marcos continues to politicize the judiciary and to keep the interim National Assembly weak, and he retains nearly unlimited executive powers. His use of power in the new political environment has been restrained so far, but he has been quick to warn the media, the moderate opposition, labor unions, and student groups against overstepping their bounds. 25X1

Poor economic performance continues, creating an unfavorable climate for political liberalization. Many of the business elite have been alienated by a government bailout operation that benefits corporate empires owned by Marcos's political allies. The weak economy has forced Marcos to surrender control over important components of economic policy to his technocrats, who are implementing World Bank- and IMF-initiated policy reforms that squeeze the business elite even further. An unintended result of the reform program is that the government is more vulnerable than ever to charges by radical groups that it is the pawn of foreign interests.

Marcos probably intends to maintain a firm grip on the instruments of political control over the near term in the hope that the mere appearance of liberalization will be sufficient to keep the opposition divided. He is simultaneously gambling that the economy will improve and eventually help turn back the recent growth in domestic insurgencies and disaffection among the middle class and the industrial elite. In the meantime, his domination of the political arena is causing defections to extremist groups that may prove more formidable adversaries in the long run. 25X1

The United States will be increasingly caught up in Philippine political developments over the next year or so. On top of current controversy over a pending bilateral extradition treaty and the activities of Marcos's opponents in the United States, negotiations for the 1983-84 review of the military bases agreement are rapidly approaching. Marcos wants to maintain his government's stable image but could be forced to take repressive measures if his opponents succeed in turning base negotiations into a nationalistic cause celebre. In the course of pursuing its strategic interests, the United States may inadvertently work to put political liberalization on hold. 25X1

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**The Philippines:
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Repackaging Martial Law

In an emotional ceremony at Malacanang Palace, Marcos ended eight years of martial law in January 1981. Citing economic gains and progress in restoring law and order, the President took what many observers hoped would be the first step toward restoring democracy. To ensure his continued dominance in a strong executive branch, however, Marcos held a plebiscite in April to amend the 1973 Constitution. The amendments instituted a French-style mixed presidential-parliamentary system with a six-year presidential term. Marcos was reelected to the presidency in June in an election that virtually all major opposition groups boycotted and criticized as a fraud.

[redacted]

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Marcos's broad executive powers and his ability to limit dissent have not changed over the last year. Although the lifting of martial law may have enhanced Marcos's political image abroad, he retains crucial powers:

- To suspend the writ of habeas corpus for all crimes against national security.
- To issue any order he may deem necessary to meet a crisis, including the powers of preventive detention, closing down the media, and controlling admissions to schools.
- To issue—and probably antedate—presidential decrees, in effect retaining broad legislative powers he held under transitory provisions of the 1973 Constitution.
- To transfer cases from civilian courts to military tribunals established during martial law. Although the tribunals are to be dismantled once about 50 remaining cases are concluded, this is unlikely to happen soon.
- To control industrial labor relations. [redacted]

Neutralizing the National Assembly

Although the end of martial law signaled the transfer of legislative authority to the National Assembly, Marcos can circumvent its power through the continuing use of presidential decrees. During martial law all presidential decrees, proclamations, orders, acts, and instructions became law unless explicitly overturned by the interim National Assembly—called into session only at the discretion of the president. Over 1,000 decrees became law in this manner. The opposition claims that as many as 250 of the decrees are secret—that is, they are listed merely by number in the official gazette, with their texts unpublished. Although the exact number of such decrees is unknown, we believe the claim is generally true. [redacted]

Marcos thus can tap an unpublicized and unchallengeable inventory of his own rules, though circumstances in the past year have not required him to do so extensively. He can detain and try political opponents for unspecified crimes, and he has invoked an unpublished decree on subversion in the case against opposition leader Benigno Aquino, who currently resides in the United States. Moreover, decrees allow the President to circumvent the legislature in matters clearly not of an emergency nature, as happened recently when Marcos granted a tax amnesty by presidential decree. [redacted]

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Nonetheless, Marcos's use of these powers has been restrained. The lifting of martial law has been accompanied by an increased level of tolerance for certain opposition activity. Student demonstrations have occurred with some frequency—and for the most part without incident. The press, although largely controlled by people loyal to Marcos, has been more vocal on political issues than it had been. [redacted]

Politicizing the Judiciary

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Marcos has further rendered the court system politically beholden to the executive branch over the past 12 months. Through the Judiciary Reorganization

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Act of 1980, signed into law in August 1981, Marcos can fire all judges—ostensibly to streamline the judiciary and remove incompetent or corrupt justices. Rehiring will take place only after each judge is investigated, and Marcos will make all final decisions on reappointments to the bench. [redacted]

According to conversations with officials in the US Embassy, even pro-Marcos judges are appalled by this blatant takeover of the judicial system. Some who did not feel the independence of the judiciary was threatened during martial law now are highly critical of the President's actions. [redacted]

The failure of the courts to develop as an institutional counterweight to presidential power is illustrated by the record of the Supreme Court since martial law was lifted. Although the Supreme Court warned the military against violating individual human rights in a decision last September, one justice admitted that the decision lacked teeth and could not be enforced. Since then the court has affirmed the authority of military courts to try cases pending from the period when martial law was in effect, has upheld antismuggling laws, and has reaffirmed the suspension of the writ of habeas corpus in certain cases, although it will continue to hear individual cases that seek a review of the writ. [redacted]

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The Economy and Liberalization

An economy deteriorating along with the recession in industrialized countries has created a poor climate for political reform. In 1981 the economy posted a lower growth rate—officially 4.7 percent—than any recorded under martial law.¹ Tight money policies and stable international oil prices enabled Manila to nearly halve inflation to an annual rate of about 12 percent late in 1981 but at the cost of high interest rates and rising unemployment. Over 9 percent of the labor force of 18 million is now officially out of work, and at least one-third of those who are working are seriously underutilized. Unemployment in metropolitan Manila, moreover, hit 26 percent last December, about twice the level of mid-1980. [redacted]

¹ For the past two years, Philippine government economic data have been at odds with industrial production data published by private research institutes. Economic growth thus may have been lower than indicated in 1981 official statistics, and probably was only about 3 percent. [redacted]

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Not assuaged by a hike in the minimum wage last March to just under \$4 a day, labor has taken advantage of the lifting of martial law to express pent-up grievances. The country experienced 138 strikes in the first four months of 1981, with 111 in politically strategic Manila. A liberal new labor code provided impetus to strike activity throughout 1981, and walk-outs were up 400 percent from the same period in 1980. Marcos retains control over industrial relations, however, should he decide he needs to enforce labor discipline. The new labor code still outlaws strikes in strategic industries, and the President has the right to deem any strike "against the national interest" while forcing compulsory arbitration. He has used this power sparingly thus far, probably to avoid appearing heavyhanded at a time of presumed political reform. [redacted]

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Corporate bankruptcies were more numerous and more spectacular during 1981 than at any other time in recent years. A financial crisis early in the year required a controversial bailout of several large corporations, including four of the country's top 15 businesses. Distressed firms faced slow sales and rising raw material costs at a time that escalating international interest rates were boosting repayment obligations on their foreign debts. Philippine banking authorities began a \$650 million rescue operation in exchange for equity positions in many of the firms. Other firms were forced by the government to merge with healthier corporations to increase equity capital. Marcos surrendered authority over the program to his technocrats to reassure nervous foreign creditors and investors that corporate financial affairs would be put on sounder footing. [redacted]

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The bailout operation—which Marcos and his technocrats genuinely believe is necessary to head off a major business crisis and protect the country's foreign credit rating—nevertheless has alienated members of the Philippine business elite because Marcos's associates were assured a continuing flow of credit at a time the Central Bank was denying it to other borrowers. The technocrats, moreover, further alienated industrial oligarchs by pursuing IMF- and World Bank-sponsored economic reforms with particular vigor. The inflow of \$200 million in World Bank loans for [redacted]

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industrial restructuring and a two-year \$472 million standby credit from the IMF required measures that hit many businessmen hard. Tariff reductions, a deteriorating exchange rate, and a market-determined interest rate policy are proving especially troublesome to businesses selling in the domestic market. [redacted]

Despite almost certain benefits over the long term, economic reform may be alienating other important presidential constituencies. Because urban unemployment is concentrated in manufacturing, the sector targeted by World Bank and IMF reform measures, the reforms have won Marcos few friends in the countryside, where falling international prices for Philippine agricultural products, particularly coconuts, have hurt living standards. An effort by Prime Minister Cesar Virata in September 1981 to reform the coconut industry produced protests and mass demonstrations by farmers. One short-term result of economic reform, therefore, is that many Filipinos now associate the World Bank, the technocrats, and the government itself with economic policies that make their lives more difficult. [redacted]

Decline of the Political Middle

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The lifting of martial law has done little to improve the fortunes of the moderate opposition. The presidential election held last June was boycotted by most major opposition groups after Marcos refused their demands for better access to the media and more time to campaign. After his reelection, some opposition leaders questioned the wisdom of abstaining from elections that might have strengthened their position for future contests. [redacted]

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The opposition remains fragmented and incapable of resolving party squabbles. The precarious unity of an umbrella organization of political groups opposed to Marcos—the United Democratic Organization (UNIDO)—was again tested in December when the

formation of two new opposition parties caused further bickering. Reuben Canoy, a leader of the Mindanao Alliance,³ was actually expelled for his role in forming the Social Democratic Party, viewed by other members of the opposition as a strawman for the President. The other new party, the Philippine Democratic Party, claims to have UNIDO's blessing. [redacted]

In an attempt to mend the splits in UNIDO, ex-Senator Salvador Laurel visited the United States recently to confer with US-based opposition leaders about converting UNIDO into a full-fledged party. If performance is any guide, such an amalgam will probably be unable to agree on tactics and policies for unseating Marcos. The government, moreover, has hinted that broad coalition parties will not be accredited, preventing their participation in elections. [redacted]

The moderate opposition also remains divided by simple geography—a separation that Marcos readily exploits. During martial law, many of the established opposition leaders fled to the United States either to escape political or financial harassment or because they believed they could lobby for Philippine democracy more effectively from outside the country. [redacted]

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Foremost among the US-based opposition is former Senator Benigno Aquino, the one man credited with having the political acumen and personal magnetism to defeat Marcos in a free election. Aquino's fortunes have waned, however, since Marcos released him from prison in 1980 to go to the United States for heart surgery. When Aquino failed to return to the Philippines as agreed after his health improved, and instead extended his stay to accept a fellowship at Harvard, he lost some credibility. His continued absence from the Philippines—especially his failure to return to lead the opposition during the 1981 presidential election—has led many Filipinos to further question his commitment. [redacted]

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³ The Mindanao Alliance is a moderate opposition party based primarily in Christian areas of Mindanao. Its formation in 1978 began as a challenge to established regional political leaders. [redacted]

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Marcos is trying to keep the opposition in the United States off-balance through scare tactics and threats of criminal proceedings. He has painted some of the US-based opposition as terrorists and may hope to indirectly exploit an extradition treaty between the United States and the Philippines now awaiting US Senate approval. Although the treaty clearly protects those accused of political crimes, the Manila press has implied that extradition of political opponents will be automatic once the treaty passes. In conjunction with government efforts to move a major case against opposition leaders forward, the press accounts intimidate a good many political opponents. Moderates are lobbying hard against the extradition treaty and are particularly concerned that the US executive branch will have final authority to determine the legitimacy of extraditable offenses. Their fears are aggravated by perceived strong US support for the Marcos regime.

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Polarization of Politics

While Marcos outmaneuvers the moderate opposition at every turn, his actions and the weak economy are encouraging groups at the extremes of the political spectrum. The Communist New People's Army (NPA) and its National Democratic Front (Natdem) organizations increasingly are looked upon as an attractive political alternative, especially by the young. Their propaganda—cloaked in nationalistic trappings and critical of the role of foreign investors, foreign private banks, the IMF, and the World Bank—is finding a receptive audience among those dissatisfied with their financial plight. The boycott of the 1981 election that the moderate opposition called for was in many areas engineered by NPA and Natdem groups long active at the grass-roots level. Moderate opposition groups are reporting defections to the left and have felt compelled to adopt more hardline rhetoric.⁴

Marcos's awareness of the dangers of political polarization may have been one of the factors that led him to lift martial law. Over the past year, moreover, his

⁴ The Communist Party's growing appeal also reflects basic organizational changes that have helped the party recover from the disarray of the early 1970s.

recognition of the threat posed by the NPA has led him to increase government countermeasures in areas where insurgent activity is greatest. These steps and the restrained use of his still considerable powers hold some promise of moderating the growth of extremism.

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Nevertheless, the possibility of a resumption of the bombings that plagued Manila in late 1980 cannot be discounted. The April 6th Liberation Movement, which claimed responsibility for those incidents, threatened to bomb the International Film Festival held in Manila in January. The Movement may have selected this target because it is clearly associated with the Marcos family. Construction of the International Film Palace and sponsorship of the festival have been pet projects of Mrs. Marcos's. Although the bombing did not occur and the government believes the movement was quashed following a wave of arrests more than a year ago, Marcos nonetheless was concerned enough to institute strict security precautions.

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Even major figures in the traditionally conservative Catholic Church have spoken out over the past year. Cardinal Jaime Sin recently defended rebel priests who have gone over to the NPA and claimed that they are merely "identifying with the people around them." His remarks prompted government rebuttals in the press that attempted to link at least seven priests to subversive organizations.

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The presence of the military in much of the countryside is resented and abets political polarization. The military, having become a dominant force in rural areas during martial law, retains considerable responsibility for preserving the peace and is particularly visible in areas of insurgency. Human rights abuses by the military continue. Further detracting from the military's image is the recent emergence of extremist vigilante groups that are reportedly linked to senior officers, including Defense Minister Enrile. The massacre of 45 civilians in Samar last September was reportedly committed by a quasi-official group of former and present members of the military called the Lost Command.

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The Year Ahead

The economy will turn in another substandard performance in 1982. This alone will slow progress on political liberalization. The ongoing economic reforms are long-term measures that impose short-term pain without any immediately obvious benefits. Even a late year upsurge in the industrial economies would provide Manila no relief until mid-1983. Unemployment and underemployment will remain at current high levels and sales will remain slow for the corporate sector. [redacted]

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In the political arena, there are some signs that Marcos will encourage the development of moderate political parties that he can control. But he has yet to demonstrate that he is prepared to do more than let disorganized moderate opponents lend credibility to his claim of running a democratic government. Even if it gains accreditation, the opposition would find Marcos's control over the media a formidable obstacle. The President's recent decisions to review television and radiobroadcast permits was a pointed reminder to media owners that they would be wise to remain loyal to the first family. [redacted]

Local elections slated to be held by July 1982 will test Marcos's willingness to allow new parties to organize and court a grass-roots following. A recent decision by the ruling party, which may withstand expected court challenges, forbids local candidates to run under their party banner—thereby frustrating plans by the opposition to use local elections to prepare for legislative elections in 1984. [redacted]

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Another key test of Marcos's intentions will be the issue of party accreditation. The Presidential Adviser for Political Affairs, Leonardo Perez, claims that the National Assembly may soon enact legislation that will make party accreditation easier. One of the new parties presumably will gain accreditation at that time, but Marcos has already hinted that another of the new parties may not. [redacted]

Beyond 1982

Over the medium term, the growing list of Marcos's potential enemies could create new obstacles to political liberalization. Combined with the financial bailout of his friends, Marcos's manipulation of the judiciary, the National Assembly, and the executive branch has offended formerly neutral political constituencies. Almost certainly this includes some flagging middle class support for the government. Even the well-heeled district of Makati in Manila, for example, turned out to be an area where the June 1981 election boycott was particularly successful. Disaffection has yet to be channeled into an opposition capable of 25X1 unseating the government, however. Marcos thus remains confident he controls domestic politics and need liberalize only at a pace he finds acceptable. [redacted]

A factor that will influence Marcos's calculations is the scheduled review in 1983-84 of the US military bases agreement. Manila has begun to prepare its negotiating strategy and the demands it will press 25X1 when negotiations formally get under way. Manila apparently believes its position is very strong because of recent expressions of support from the United 25X1 States and continued US strategic interest in the bases. [redacted]

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Marcos will want to avoid unfavorable developments on the domestic scene that could undermine Manila's perceived negotiating posture by raising doubts on the US side about the stability of his regime. He could be forced into taking repressive measures, however, because anti-US sentiment will probably dominate opposition rhetoric as negotiations begin. From this perspective, Marcos's desire for a calm political environment during the base negotiations may lead him to defer liberalization while taking pains to ensure that an appearance of progress prevails. [redacted]

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