



**Directorate of
Intelligence**

~~Secret~~

25X1

The Communist Insurgency in the Philippines: Crisis Looming on Negros

25X1

An Intelligence Assessment

~~Secret~~

*EA 85-10095
May 1985*

Copy **367**

Page Denied



**Directorate of
Intelligence**

Secret

25X1

The Communist Insurgency in the Philippines: Crisis Looming on Negros

25X1

An Intelligence Assessment

This paper was prepared by [redacted]
[redacted] Islands Branch,
Office of East Asian Analysis. Comments and
queries are welcome and may be directed to the Chief,
Southeast Asia Division [redacted]

25X1

25X1

Secret

*EA 85-10095
May 1985*

Secret

25X1

The Communist Insurgency in the Philippines: Crisis Looming on Negros

25X1

Key Judgments

*Information available
as of 29 April 1985
was used in this report.*

The Communist Party and its military wing, the New People's Army (NPA), are swiftly capitalizing on growing discontent among workers in the severely depressed sugar industry on the Visayan Island of Negros—which has long been a target for the radical left. We judge that later this year Negros may become, after Mindanao, the second politically important island in the archipelago where Communist control rivals that of the government:

- The party is successfully recruiting from the large numbers of unemployed sugar workers, and its ranks will probably swell further if—as we believe likely—over 70 percent of Negros's 350,000 sugar workers lose their jobs during the next few months.
- The party's influence among labor groups is strong enough to foment widespread violence in Negros's cities—a development that would fit in with the party's current strategy nationwide, which calls for an increase in urban violence this year.
- Clashes between government troops and the NPA will, we believe, increase in frequency, underscoring the dramatic rise in NPA strength on Negros and its capability to initiate more sophisticated military operations.

25X1

Despite the trouble looming on Negros, President Marcos shows no inclination to improve the counterinsurgency effort by bolstering the military or dismantling the sugar-marketing empire of his political ally, Roberto Benedicto. Such steps would over the short term undermine his political power bases—in the military by reducing the power of loyalists such as General Ver, and more broadly by suggesting that he will not stand by old political cronies. Marcos has prevented Acting Chief of Staff Ramos from making reforms that would improve the military's counterinsurgency performance there and elsewhere in the country where the NPA insurgency is gaining ground. Government efforts that are taken to ease the plight of the sugar workers are largely cosmetic.

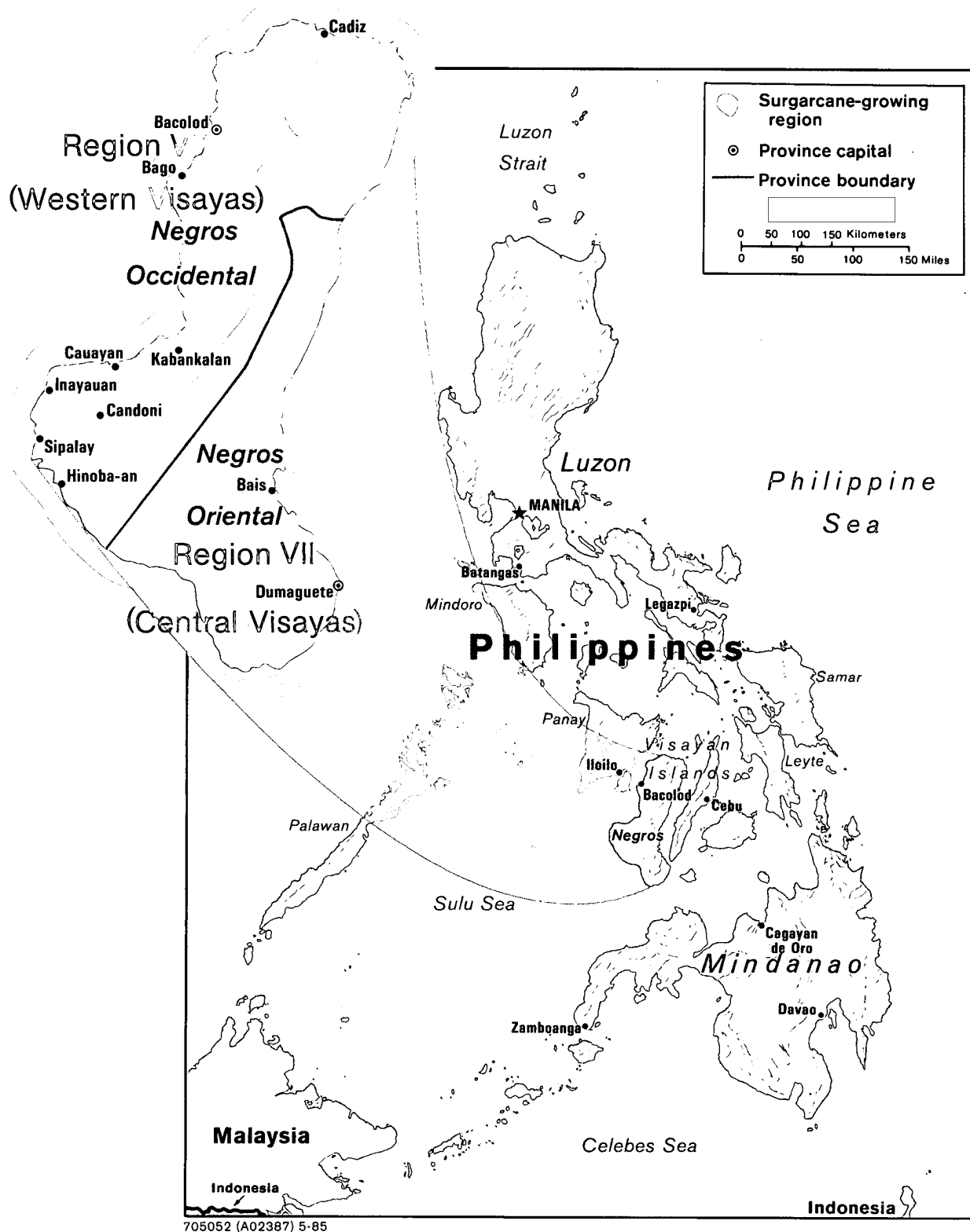
25X1

Insurgent control over Negros would entail stiff political costs for Marcos, in our judgment, as he attempts to shore up the ruling party's prospects for local elections next year. Negros's slide toward strategic stalemate would probably cost him much of the support of the island's influential sugar planters. It would also be a major embarrassment because Marcos has been publicly asserting that the government is gaining the upper hand over the insurgency nationwide. More fundamentally, it would mark a major defeat for the government in the psychological war with the Communists.

25X1

Secret

25X1



25X1

Secret

iv

Secret

25X1

The Communist Insurgency in the Philippines: Crisis Looming on Negros

25X1

Gains by the NPA

The Communist Party and its military wing, the New People's Army (NPA), are stepping up political and military operations on the Visayan Island of Negros to capitalize on growing discontent among workers in the severely depressed sugar industry.

the party's military gains this year in Negros Occidental, the island's troubled sugar-producing province, are second only to its progress on the southernmost island of Mindanao—where the insurgents have been intensifying military and political operations since 1980.

party recruitment efforts within the last six months have been aided considerably by layoffs in the industry

Indications of expanding NPA military operations began to surface late last year.¹

the NPA has opened two guerrilla fronts in southern border areas between the Provinces of Negros Occidental and Negros Oriental—a development we believe signals the start of more frequent and larger military operations by the insurgents.²

¹ The New People's Army has engaged government security forces in remote areas of Negros since 1980. Until last year, NPA activity was for the most part limited to small groups of guerrillas—eight to 20—ambushing isolated military personnel to grab firearms, its chief method of acquiring weapons. In rural areas, NPA assassination teams (so-called sparrow units) also conducted assassinations against low-level government and military officials.

² A guerrilla front is a combat zone where NPA regulars attack government forces. The Philippine military had identified only one guerrilla front on the island prior to November 1984.

Bolder NPA operations near urban areas, in our view, underscore the improvement in its capabilities. Repeated sabotage of electric powerlines near Bacolod—one of the few examples of economic sabotage by the guerrillas nationwide—has kept parts of the provincial capital without electricity for months at a time.

Ripe for the Harvest

The Communist Party has long recognized the potential benefits of exploiting chronic political, social, and economic inequities on Negros—especially among the region's sugar workers.

Negros was among the first areas of the country—in addition to Mindanao, Central and Southern Luzon, and the Eastern Visayans—where the party concentrated political organization and recruitment efforts in the early-to-mid-1970s. Recruitment drives among sugar workers accelerated when world sugar prices began to decline in 1981. Since then, steady party proselytizing efforts in rural areas and front activities in urban sectors have produced a well-organized and firmly entrenched political apparatus on Negros.

Most of Negros's 2.7 million people depend on the sugar industry for their livelihood. The US Embassy reports economic conditions have deteriorated to crisis proportions. Local labor leaders have reported that living conditions among the workers and their families have sunk to the point where many workers are subsisting on sugarcane juice or depending on soup kitchens set up by local priests. Earlier this year,

A Profile of Negros

The Visayan Island of Negros is located in the central Philippines and is divided into two provinces: Negros Occidental and Negros Oriental, with a population of 1.9 million and 819,000, respectively. The economies of both provinces are largely based on agricultural production, with sugar the key crop. Most of the sugar is produced and processed in Negros Occidental. Negros Oriental, the smaller and less developed province, has a more diversified agricultural base and produces sugar, rice, and coconut products. []

Negros has been one of the most politically conservative regions in the country, dominated by a local oligarchy of wealthy families for generations. Before President Marcos declared martial law in 1972, sugar growers enjoyed considerable clout in national politics and every Philippine president was careful to cultivate the sugar bloc. []

President Marcos had already established a strong following among planters when he made his initial bid for the presidency in 1965. According to the US Embassy, many planters had hoped that Marcos would provide special benefits to the sugar industry while keeping a tight lid on the island's embryonic labor movement. They also wanted the traditional patron-client relationship—through which they controlled workers' political activity—to continue. []

Instead, many of these families watched their fortunes decline as Marcos set out to destroy the power of the sugar bloc and largely replace its influence with personal and politically loyal associates whom he allowed to acquire large tracts of land on Negros. One such new "sugar baron" was Roberto Benedicto, a Marcos crony placed in control of the sugar industry and the local ruling party organization. Under Benedicto's corrupt administration much of Negros's former political order has disintegrated and, according to the US Embassy, the bulk of its

sugar wealth has been transferred out of the province to Manila and overseas. []

Despite widespread resentment of many sugar growers about Benedicto's role in the industry since 1977, they continue to provide financial and political support to Marcos, according to the Embassy. Some of the island's conservative planters appear to believe that Benedicto's mismanagement of the industry is a necessary cost to keep a lid on labor unrest. For others, Marcos's ruling party is the only alternative to economic and physical reprisal from Benedicto. []

Although Benedicto is still the key political actor on Negros, his control is growing increasingly tenuous in the face of falling sugar earnings, rising labor unrest, and a growing Communist insurgency. In last year's voting for the National Assembly, for example, Benedicto—as the ruling party's regional chairman—was forced to resort to blatant fraud and violence to deliver five of Negros Occidental's seven National Assembly seats, according to the US Embassy. Benedicto's tactics, however, failed to prevent candidates from the moderate opposition from capturing two seats. Negros Oriental's three National Assembly seats were all won by ruling party candidates with the aid of the ruling party chairman in that province. There were 183 elected seats at stake nationwide. []

In any case, the surviving oligarchic families still play a substantial role in provincial politics. Even though much of their clout in Manila has been weakened during Marcos's rule, they provide essential financial assistance to the ruling party at election time. For that reason, Marcos will have to weigh the costs of allowing the deteriorating security situation there to further alienate Negros's sugar growers as provincial elections approach in 1986. []

25X1

.

.

25X1

25X1

25X1

25X1

25X1

.

.

25X1

The Declining Sugar Industry on Negros

Negros produces 60 percent of the nation's sugar output and accounts for about 8 percent of the Philippines' export revenue. Philippine economists estimate that up to 90 percent of the province's economy is directly or indirectly related to sugar.

The fortunes of Negros's sugar industry have fluctuated with world sugar prices—prospering in 1980 when prices hit 30 cents a pound and slumping when prices slipped to their current level of 4 cents. Until recently, sugar growers were insulated from the full impact of declining world prices for sugar because they are paid a blend of the world price and prices in the protected domestic retail market. The expiration last year of favorable long-term export contracts, however, will drop the average export price to about 9 cents, compared with an average of 17 cents a pound in 1984. Philippine economists estimate that domestic planters must earn about 14 cents a pound to make a profit.

The World Bank identifies sugar workers as a major Philippine poverty group. Their livelihood is highly vulnerable to several factors, including changes in world sugar prices and political struggles between

sugar planters and the sugar-marketing monopoly controlled by presidential crony, Roberto Benedicto. Sugar on Negros is grown for the most part on large farms worked by permanent resident laborers who are paid less than the statutory minimum agricultural wage. Widespread rural underemployment during the industry's four-month slack season also complicates chronic income inequities on Negros. As a consequence of this economic structure, the top 10 percent of all households on Negros receive one-third of all income while two-thirds of the families fall below the poverty threshold.

Philippine economists estimate that the country's sugar production will decline by 30 percent this year as export prices remain below production costs, forcing growers to take fields out of production. The decline is aggravated by lengthy delays in payments to producers by the National Sugar Trading Corporation (NASUTRA) and the slow recovery from the effects of a devastating drought in 1983. The US Embassy reports that the sugar recession will hit hardest on the permanent resident workers, who depend almost entirely on current cash income to pay for their food and other necessities.

rumors that extensive layoffs were imminent sparked serious labor unrest among sugar workers—including the burning of cane fields in southern regions of the island.

As a result, we believe the party is well positioned to reap the benefits of its organizational efforts among sugar workers on the island. According to the US Embassy, the president of Negros's largest sugar labor union—claiming membership of over 70,000 workers—was recently appointed General Secretary of the national leftist labor organization, Kilusang May Uno (The May First Movement). The KMU claims a national membership of over 1 million, and most political observers believe it is heavily penetrated

by the Communist Party.³ In the past two years, it has organized and participated in several large—and occasionally violent—demonstrations nationwide. In Bacolod, for example, the KMU turned out 80,000 protesters for a single labor rally last year—the largest number ever to turn out in a provincial capital.

[REDACTED]

opposition leaders for the government to take steps to improve the economic situation and reverse gains by the NPA. [REDACTED]

25X1

25X1

25X1

25X1

The Government's Response . . .

. . . *On the Military Front.* The counterinsurgency effort on Negros, in our judgment, suffers the same weaknesses that characterize it elsewhere in the nation. The program suffers from lack of logistic support, equipment shortages, and communications problems. Morale among the troops—especially those in combat areas—continues to suffer because of low pay, infrequent troop rotation, and constant shortages of basic equipment. Morale problems within the officer corps also developed during General Ver's tenure as Chief of Staff. [REDACTED]

[REDACTED] Accord-
ing to press reports, Ramos has placed a colonel in charge of Sugarland, who will control all troops on Negros in an attempt to better coordinate counterinsurgency efforts there. [REDACTED]

25X1

[REDACTED] Other press indicates that Negros Oriental, currently in RUC 7, will be transferred into RUC 6, presumably along the lines of Ramos's proposal. Thus far we have no firm indication which, if either, plan will be adopted. In any case, according to the Defense Intelligence Agency, the 1984 task force made no measurable difference in counterinsurgency operations. Moreover, task forces formed during the last few years in other regions where the insurgency is worsening—such as Northern Luzon and Mindanao—have failed to make significant inroads. [REDACTED]

25X1

25X1

25X1

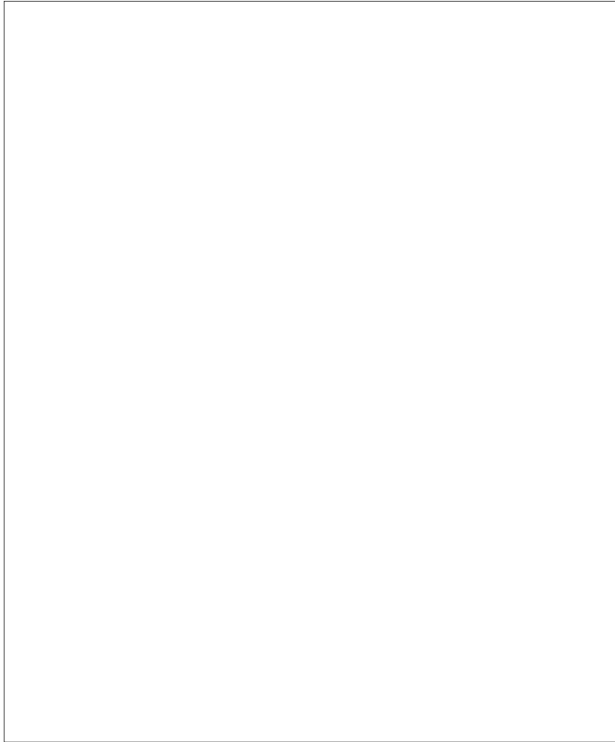
25X1

25X1

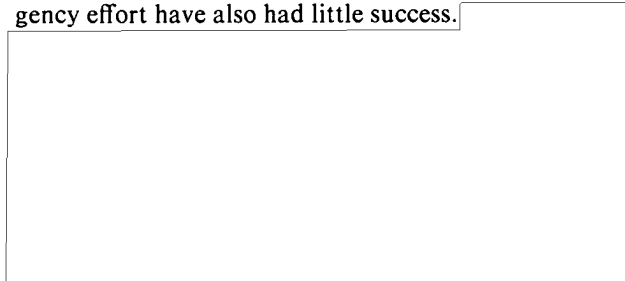
There is growing concern in Manila among some senior government and military officials over the deteriorating security situation on Negros. Defense Minister Enrile told reporters in March that insurgent strength on the island had grown by nearly 40 percent last year and the situation was "worrisome." Acting Chief of Staff Ramos recently told US officials that the NPA is concentrating its forces on Negros—in addition to Mindanao—and is "rolling up" Philippine militia in both of these areas. Recent widespread domestic press coverage of insurgent gains on Negros and of impending layoffs in the sugar industry, moreover, has heightened public awareness of the situation there. [REDACTED] the publicity has produced calls from business groups, the church, and

Secret

Earlier this year Ramos tried to institute several other reforms in the military on Negros in the hope of improving the government's counterinsurgency performance:



Civic action programs sponsored by the military to gain the support of local officials in the counterinsurgency effort have also had little success.



... *On the Political Front.* Marcos has done little to improve local government administration on the island. [redacted] numerous mayors from Negros either reside permanently in Manila or in their heavily guarded homes on Negros. In either case, they have little contact with the local population. In many areas on the island, the local civilian authorities have been supplanted by military commanders or the insurgents. [redacted]



Government relief programs to ease the plight of the sugar workers are moving ahead slowly and the money allocated is probably too small to have much impact. Part of the government's problem is that strict austerity measures worked out with the IMF limit budget expenditures. Marcos has proposed an emergency assistance program that provides for \$2.5 million in loans to unemployed workers for the purchase of rice from government warehouses. We judge the program will be of little help for most workers. For one thing, the allocations work out to roughly \$7 per worker—a sum that would only buy enough rice to feed a family of four for two weeks. In addition, the social security system that would administer the program, in our judgment, is poorly managed, and loans are not likely to be administered in an efficient or timely fashion. [redacted]

Looking Ahead

Although the Communist Party is unlikely to control all key rural and urban areas on the island by year's end, we believe that its strategy will propel it well toward that goal. As a result, Negros later this year, in our judgment, has at least an even chance to join Mindanao and become the second politically strategic island in the archipelago where Communist influence rivals that of the central government. A contributing factor will be that the economic situation almost certainly will worsen during the rest of this year because up to 70 percent of Negros's 350,000 sugar workers may lose their jobs as depressed world prices for sugar and rising production costs force producers to take fields out of production.⁵ At a minimum, unemployment is certain to worsen in the next month when sugar mills close for the four-month off-season and sugar workers are without income. Manila has already placed military units on Negros on the highest alert status in anticipation of layoffs. We believe the government's fears are well founded. [redacted]

⁵ International commodity experts see no immediate improvement in the world sugar market, and they do not expect a recovery of the world sugar market much before 1990. [redacted]

Secret

***The Sugar Monopoly and
Agricultural Reform***

The economic crisis in the sugar industry has been severely aggravated by the control over pricing and marketing exercised by Roberto Benedicto, a long-time political ally and personal associate of President Marcos. Sugar planters have become increasingly critical of Benedicto's management of the industry. He controls nearly all aspects of the industry through his domination of the policymaking Philippine Sugar Commission (PHILSUCOM), the National Sugar Trading Corporation (NASUTRA), the Republic Planters Bank, which provides financing for the industry, and the Philippine Sugar Corporation, which owns most cane crushing mills. [redacted]

According to the US Embassy, Benedicto's total control over sugar marketing and pricing—aided by legal provisions shielding NASUTRA from government audit—have allowed him and his associates to reap enormous profits. The US Embassy reports that Benedicto has made more than \$1 billion in the last few years through trading with overseas sugar brokerage houses that he owns. This arrangement, along with numerous others that he has set up, has helped Benedicto acquire more than 50 corporations, including shipping companies, banks, newspapers, and a television network. Benedicto's financial fiefdom, according to the Embassy, is a substantial—and growing—drain on the country's economy. [redacted]

The country's leading financial aid donors, including the World Bank, the United States, and Japan—along with Philippine business leaders, opposition politicians, and sugar growers and millers—are pressuring for reforms to reduce Benedicto's control over

the sugar industry. Marcos responded by announcing in February that the industry would be reorganized, converting NASUTRA into a private firm and establishing a new sugar commission with broad industry representation. Marcos's move prompted Eduardo Cojuangco—another key presidential crony who controls the coconut industry—to rally disgruntled growers and millers in an effort to use the new commission to wrest control of the industry away from Benedicto. Marcos stacked the deck in favor of Benedicto, however, by approving election rules for the commission that favor Benedicto's slate. As a result, Cojuangco withdrew his challenge. Marcos also recently shielded Benedicto from close scrutiny by the National Assembly, when several assemblymen attempted to hold him accountable for irregularities in sugar trading. One charge leveled against him by assemblymen concerned a highly profitable transaction in which Benedicto sold low-cost imported sugar on the protected domestic retail market. [redacted]

An official of the World Bank—Manila's largest aid donor—has told US Embassy officials that Marcos's proposed reforms in the sugar industry are meaningless as long as he allows Benedicto to head the commission. If Benedicto's past management of NASUTRA is any guide, his corrupt practices will probably continue because the new commission's books will continue to be closed to government auditors. In our judgment, Marcos's decision to support Benedicto's fight to remain in control of the industry closes all hope for sugar reform for the time being. [redacted]

Marcos's reaffirmation of Benedicto's control over the domestic industry also makes us pessimistic about the island's prospects. In our view, Benedicto's failure to implement reform will assure that his marketing arrangements continue to discriminate against sugar producers and independent millers. Stalling on reforms sought by the IMF and World Bank, moreover, has already prompted foreign aid donors to temporarily withhold financial assistance—a development that will further aggravate Negros's economic decline.

[redacted]

For its part, the Communist Party already considers labor as the most politically active sector on Negros and is almost certain to intensify its efforts to tap discontent among sugar workers. We believe that violent labor unrest may escalate in coming months, as unions penetrated by the party seek to undermine the authority of municipal and provincial governments on Negros.

[redacted]

Secret

**Roberto Benedicto**

At 68 years of age, one of President Marcos's closest and most trusted political associates . . . received a law degree from the University of the Philippines where he was a fraternity brother of Marcos . . . has used Marcos's protection to build a vast business empire . . . Ambassador to Japan from 1972 through 1977.

local criminals or abusive military personnel. This activity occurs for the most part in the area known as the CHICKS region, six adjacent municipalities in southern Negros Occidental where the NPA has been operating for some time.⁶

these activities are rapidly spreading to other areas along the border between Negros Occidental and Negros Oriental, where the NPA has inflicted heavy losses on the government, causing the military to close its less effective outposts and, in our judgment, implicitly acknowledge the insurgents' control. In our view, this trend will continue, especially if increased insurgent activity in urban areas—a likely prospect—draws troops away from rural areas.

The strategy emerging on Negros is the same one that the party has been using on Mindanao for several years.

has achieved a strategic stalemate, where the Communist Party is in open contest with the government for political and military control over the region.⁷ Conditions in a few areas on Negros—notably the CHICKS region—already show a similar degree of control,

and we believe the similarities will grow as conditions in the sugar industry worsen. At a minimum, increased NPA activity and propaganda efforts will continue to erode the government's control on Negros and will undoubtedly tax the military's already strained counterinsurgency efforts.

Does Negros Matter?

In our judgment, insurgent control on Negros combined with the failure to implement reform in the sugar industry could cost Marcos much of the political support he has enjoyed from the sugar bloc.

⁶ CHICKS is an acronym for the six towns: Candoni, Hinoba-an, Inayauan, Cauayan, Kabankalan, and Sipalay.

⁷ The NPA reportedly has troop strength of over 8,000 full-time guerrillas on the island and mounts frequent company-size attacks against government forces there. In the provincial capital of Davao, the NPA is waging a fierce urban terrorism campaign, resulting in the daily assassination of government and military officials. Insurgents also control the city's largest slum, numbering over 100,000 people.

conditions in some areas on Negros have deteriorated to the point where the NPA has already formed shadow governments.

the NPA is beginning to redistribute land and animals from planters to peasants, collect taxes, and administer its own form of social justice, which in some cases involves killing

Secret

Among other things, Marcos is counting on regional ruling party chairman Benedicto [redacted]

25X1

[redacted] to deliver Negros for the ruling party in local elections next year. We believe that, at a minimum, Benedicto would have to resort to blatant fraud to fulfill Marcos's expectations and may not succeed even then. [redacted]

25X1

At the national level, we believe Marcos would find it all the more difficult to bolster his party's election prospects if Negros becomes another Mindanao. Deteriorating security on Negros will continue to undercut Marcos's public assertion that the government is gaining the upper hand over the insurgents and that the Communist Party has been decimated by the capture of over 100 party leaders. In a more fundamental sense, the "fall" of Negros would provide an important psychological defeat for the government and further depress morale in the armed forces. It would also confirm to the Communist Party that its long-term strategy is on the mark. [redacted]

25X1

Secret

Secret