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Aquino and the Philippines: Performance and Prospects

Special National Intelligence Estimate

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*SNIE 56-3-86
September 1986*

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The following intelligence organizations participated in the preparation of the Estimate:

The Central Intelligence Agency, the Defense Intelligence Agency, the National Security Agency, and the intelligence organizations of the Departments of State and the Treasury.

Also Participating:

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SNIE 56-3-86

**AQUINO AND THE PHILIPPINES:
PERFORMANCE AND PROSPECTS**

Information available as of 3 September 1986 was used in the preparation of this Estimate, which was approved by the National Foreign Intelligence Board on 10 September 1986.

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SCOPE NOTE

In March 1986 the National Foreign Intelligence Board approved SNIE 56-2-86, *Philippines: Challenges Facing the Aquino Government*, and directed that a new Estimate be prepared in six months to evaluate the performance of and prospects for the new Aquino regime. This Estimate evaluates Aquino's performance thus far and her prospects over the next 12 months for overcoming the challenges posed by domestic politics, the economy, reforming the armed forces, and counteracting the insurgency. It also addresses the implications of these findings for the United States.

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KEY JUDGMENTS ¹

A number of critical problems confront President Aquino that, unattended, threaten to derail her government and adversely affect major US interests. Most of these she inherited from the previous regime, which after more than a decade of essentially one-man rule had left the country in disarray. Given the magnitude of these problems, we believe the situation will probably grow worse in the Philippines during the next year. The most fundamental such problems Aquino faces include:

- A political system perceived by many Filipinos to be unresponsive to their hopes and needs.
- Two-thirds of the population living in poverty with an economy sluggishly coming out of four years of dismal performance, and a number of structural and policy hurdles still awaiting solution.
- A persistent and entrenched Communist insurgency that, Marcos's departure notwithstanding, continues to increase its influence in the countryside in the face of ineffective government countermeasures.
- A military that is underfunded, inadequately equipped and trained, unable to deal effectively with the military threat posed by the insurgents, and apprehensive about Aquino's ability to govern.

¹ The Director of the Bureau of Intelligence and Research, Department of State, questions the analytical underpinnings of this Estimate and does not concur in the pessimistic thrust of the Key Judgments. The paper misjudges what can be realistically accomplished in an early time frame to deal with rural problems and the insurgency. While the Philippine Communist insurgency is the major threat in the long run, he believes the paper overstates its immediacy and leaves the impression that unless President Aquino at once places as top priority the implementation of an integrated counterinsurgency plan the situation could within the year dangerously erode.

He believes that Aquino's current efforts to stimulate economic growth, reform the economy, and institutionalize political stability are necessary preconditions for an effective attack on the insurgency. Indeed, although the paper makes no comparison with the past, Aquino's reform of the senior military is a greater contribution to managing the insurgency than all of Marcos's efforts of the past five years. Severely limited economic resources—Marcos's legacy to his successor—constrain the social and political components of a comprehensive plan, and the Philippine military establishment itself disagrees as to what needs to be done. Without much greater US direct assistance, it will be difficult for Aquino to do more than limit the spread of the insurgency in the short term.

The paper virtually ignores the serious challenge to political stability of the ambitions of Defense Minister Enrile; nor does it adequately discuss Aquino's difficulties in dealing with a military that includes elements—primarily those tied to Enrile—who are interested in undermining her. Finally, the paper underestimates her accomplishments, given the political malaise and economic mess she inherited, and holds Aquino to a standard seldom achieved anywhere at this point in a democratic transition.

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Aquino and her largely inexperienced cabinet and advisers recognize these problems for the most part and, with varying degrees of attention and success, are trying to solve them by:

- Dismantling the agricultural monopoly structures of the Marcos era, particularly in coconut and sugar.
- Negotiating an IMF credit agreement (approximately \$500 million) to finance the Philippines' structural reform program.
- Committing her government to divestment of governmental financial institutions whose deficits severely drain public finances, although we expect slow going.
- Enacting a tax reform package to enhance revenues and improve economic efficiency.
- Attempting by her own personal honesty and sincere efforts to establish higher standards of official conduct.
- Creating a commission to draft a new constitution and pledging to hold early elections.
- Appointing qualified individuals to the supreme court and other top government posts.
- Reactivating the National Security Council, which could provide an organizational base for coordinating the national counterinsurgency effort.
- Reforming the armed forces under Chief of Staff Ramos, who has retired most overstaying generals, and placed professionalism and ability as the primary requisites for promotion of new officers.
- Reducing human rights abuses by the military, primarily by putting the military in a defensive posture.

If President Aquino's efforts—especially taking into account the serious problems she inherited and her moves to restore political pluralism—were compared with the situation found in most other Third World countries, we would be relatively optimistic about the longer term prospects for the Philippines. However, in our view, the growing Communist insurgency and related unhappiness of many in the military has sharply reduced the time Aquino has to act for revitalizing the economy, reducing internal political infighting, and initiating a comprehensive counterinsurgency program. Indeed, the key question over the next year is whether President Aquino can address urgent economic and security problems before the insurgency acquires such momentum as to make its defeat substantially more difficult and uncertain.

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Accordingly, the challenges she faces require immediate attention:

- Personal infighting and divergent policy views in Aquino's government are impeding decisionmaking on many problems.
- Her non-Communist opponents could win substantial support in local elections making the political situation more fragmented.
- Many of her economic and political policies are focused primarily on the issues affecting the cities, whereas the needs of the rural poor remain for the most part unaddressed.
- Some elements of the military, and particularly some of the reformist officers who supported Aquino in February, are becoming increasingly disgruntled and impatient with her policies, and some coup plotting persists.

Given the slow progress on all fronts and increasing threats to peace and order, we cannot rule out the possibility that the military will intervene to reshape the government and redirect its policies, or, in extreme circumstances, even to overthrow Aquino:

- We believe the likely threat comes from reformist officers within the military. We believe they would prefer to cooperate with the President, but if the perception continues to grow that her policies are jeopardizing national security, or in some cases if personal and political interests were seriously challenged, they have both the will and capability to conduct a coup.
- Even with the support of some civilian technocrats, the military is ill-suited to provide competent administration. And, if in the unlikely event the military tries to take over, it could well result in discord and political collapse, with the Communists being the primary beneficiary.

But the most serious challenge, and one that makes progress on the many other problems so time urgent, is the growing threat posed by the Communist insurgency. Although the Communists suffered some initial setbacks when Aquino first came to power, we believe they will continue to improve their position over the coming year:

- Aquino's victory did not seriously damage the Communist-led New People's Army (NPA) in the countryside—there have been no significant defections to the government.
- The failure to develop a coordinated civilian-military strategy against the insurgents and the defensive posture of the New Armed Forces of the Philippines (NAFP) are already allowing the CPP to expand its range of activities and the NPA to project its influence into new areas.

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- The Communists, who have already had considerable success in increasing their influence in the labor movement, plan to contest the forthcoming elections, and their supporters and sympathizers could win some significant electoral victories at the local and possibly even the provincial level.

The urgent need we see for Aquino to get her government together and move forward on the economy and a counterinsurgency strategy is based in large measure not only on our conclusion of the magnitude and imminence of the threat which the insurgency represents, but also on our judgment that she offers the best chance of establishing stability and democracy in the Philippines:

- She is a political moderate who enjoys widespread personal popularity.
- Aquino also recognizes the mutual benefits of warm relations with the United States and has so far worked to preserve them.
- Any alternative government would not have a broad base of popular support, would lack legitimacy, and would be no better able to handle Philippine problems than Aquino.
- The failure of her government or its overthrow would destroy the hope of many Filipinos that “people power” and a peaceful revolution can solve the problems confronting the Philippines.
- Such disillusionment would likely lead to the Communist Party winning new adherents.

The present situation in the Philippines could improve. Several developments could favorably alter our now pessimistic forecast:

- If Aquino’s supporters won a decisive victory in the forthcoming local elections, it could help to strengthen her mandate and stabilize the political situation.
- If Aquino began to demonstrate greater leadership of her government, it could begin to more effectively implement policies and begin to address hitherto neglected problems.
- If the government pressed forward with economic reforms, for example, even though the tangible benefits might take years to realize, the psychological benefits for the government could be enormous, or if substantial outside help—of various kinds—were forthcoming.

Unfortunately, we have little confidence that her present course will lead to such dynamic improvement.

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We believe that, unless the Aquino government does something to address the grievances associated with the insurgency more decisively and realistically, the time she bought for the Philippines when she came to power will be lost with little to show for it. The reforms she has articulated, even if fully implemented, would come to naught if the Communists, as we expect, continue to gain ground. Therefore, we believe it critical that Aquino:

- Focus more attention and energy on the rural areas and, especially, the sense of injustice and mistrust that has increasingly come to characterize the attitudes of the rural population toward Manila.
- Accept a comprehensive counterinsurgency strategy. Thus far, Aquino has rejected good advice from the military and others on an overall political-military strategy. Rather, she is apparently influenced by those advisers who believe that, if the present cease-fire negotiating strategy does not work, then the “military can be unleashed”—a concept out of touch with Philippine realities.

Thus far, Aquino has attempted to be responsive to suggestions and complaints from the United States and appreciative of our help in such areas as high-level affirmations of public support, efforts to spur foreign investment and pledges of financial assistance. Indeed, in few other countries does the United States have as much opportunity to influence the outcome of events. Assuming sufficient political will in the Philippines, specific key areas where the United States could attempt to bring its limited influence to bear include:

- Persuading the military to forgo political ambitions and counterproductive coup plotting.
- Applying US expertise to help on rural development problems that feed the insurgency.
- Quietly helping the government devise an effective counterinsurgency strategy.
- Encouraging US and other foreign investors to play a more active role in the Philippines' economic reconstruction.

We reiterate, however, that the effectiveness of US efforts will depend first on President Aquino's ability to form consensus within her government on a national agenda.²

² The Director, Defense Intelligence Agency; the Director of Naval Intelligence, Department of the Navy; the Assistant Chief of Staff, Intelligence, Department of the Air Force; and The Director of Intelligence, Headquarters, Marine Corps are concerned that this Estimate avoid any impression that the proposed US assistance measures, while potentially very important, will necessarily be fully acceptable to the Philippine Government or decisive in themselves in reversing the situation, especially in light of the Philippine Government's continuing inability to effectively address key problem areas. Furthermore, the military elements undertaking coup plotting are unlikely to be deterred by US persuasion given the deteriorating security climate this Estimate forecasts.

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Regardless of what happens, continuing challenges to the Aquino government are certain to have important implications for the United States over the next year. Among the most significant of these are:

- *The Philippines will request and expect to receive greater US economic support.* If substantially more assistance is not forthcoming, some of Aquino's advisers, and perhaps the President herself, will interpret this as evidence that the United States is not supportive of the new government and still harbors sympathies for Marcos.
- *Philippine nationalism, which has a decidedly anti-US tone, is likely to continue to grow.* It will focus on opposing the US military facilities in the Philippines, calling for a nuclear-free Philippines, and alleging US economic exploitation.
- *US facilities in the Philippines will become increasingly controversial.* The Philippine Government is now reviewing US agreements with Greece, Spain, and other countries, and we should anticipate a considerably higher price tag and much more difficulty in achieving a new agreement.
- *There is a good possibility that an antinuclear resolution may be adopted, either in the new constitution or by the new legislature.* Such a resolution could put greater pressure on the United States with respect to our use of the facilities, and, in a worst case, it could create a situation similar to that which has developed between the United States and New Zealand.
- *The Soviet Union is making overtures to the Philippines for improved relations but, during the period of this Estimate, Aquino and other Philippine leaders are likely to remain suspicious of Soviet intentions and are likely to avoid any substantial improvement in ties to the Soviets.*

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DISCUSSION

Introduction

1. President Aquino faces critical challenges that were reviewed in SNIE 56-2-86, *Philippines: Challenges Facing the Aquino Government*, specifically: consolidating her personal authority, improving the economy, reforming the armed forces, and coping with the insurgency. Since her accession, the successes have been relatively few, and the problems, for the most part, have worsened. In the months ahead, the prospects are high that the challenges will continue and become even more difficult. [REDACTED]

Consolidating Personal Authority

2. President's Aquino's personal popularity remains strong, but she has yet to translate popularity into an organized, viable means of making decisions and getting them implemented on a nationwide basis. In those areas where she has taken strong action she has sown the seeds of controversy, something which could come to haunt her in the future. Specifically, she declared a revolutionary government and abolished the Batasan (Philippine parliament); directed the temporary appointment of officers-in-charge to replace Marcos officials at the provincial and local levels; and appointed, rather than had elected, members of the Constitutional Commission (CONCOM). [REDACTED]

3. Her leadership extends mainly to the upper and middle class in the urban areas. Though she has expressed concern over the well-being of her people, her government's policies have focused on the issues affecting the cities, whereas the needs of the rural poor remain for the most part unaddressed. Unless she is able to broaden and deepen her mandate through effective political organization, her regime will increasingly typify the oligarchic systems of the past. (S NF NC)

4. Aquino's appointments to key positions reflect the diverse basis of her regime. On the one hand, there are Defense Minister Enrile and Chief of Staff Ramos, and on the other, human rights activists such as Executive Secretary Arroyo and Labor Minister Sanchez. The conglomeration of old-style politicians and technocrats, friends and relatives, former Marcos supporters, and oppositionists to Marcos represents the

wide range of the forces that ultimately combined to bring Aquino to power, but is ill-suited for the formulation and implementation of public policy.³ Bitter rivalries and factionalism have undermined coherent policy. For example, the appointment of local officials has caused significant strain between Vice President Laurel's UNIDO group and Minister of Local Government Pimentel, who has favored the PDP-Laban party in his choices. Also, a number of these appointments have resulted in the replacement of comparatively good and effective Marcos-era officials with ineffectual ones. [REDACTED]

5. Among the most bitter controversies in the cabinet is that between Defense Minister Enrile (who is widely feared and suspected of harboring presidential ambitions) and more long-standing Aquino supporters such as Arroyo, Presidential Spokesman Saguisag, and others. Enrile improved his status by helping to end the abortive Tolentino coup in July, but is widely suspected, perhaps by Aquino herself, of knowing about the coup attempt in advance, of failing to head it off, and perhaps of even being involved in instigating it. It is likely Enrile has greater ambitions, and his continued presence in the cabinet will be a continuing source of controversy. [REDACTED]

6. Many of Aquino's other government appointments, notably to the supreme court and the CONCOM, are positive—she has selected qualified individuals. However, without stronger leadership at the top, there will continue to be infighting, drift, and, correspondingly, a worsening of the situation. [REDACTED]

7. Aquino's appointment of the Constitutional Commission, which is supposed to have a draft completed and ready for submission to a plebiscite this fall, could help to promote legitimacy and stability. The present draft constitution seeks to restore democratic institutions by strengthening the bicameral legislature, by limiting executive powers to declare martial law and to rule by presidential decree, and by strengthening guarantees for civil rights. However, the CON-

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COM debates have also become contentious over issues such as foreign investment, land reform, and the US facilities. At an early stage, a committee actually approved a measure that required the United States to give up the facilities. We expect the moderates will defeat efforts to include such a provision in the final draft constitution submitted for plebiscite. "Nationalist" and leftist groups, however, have pledged to oppose the ratification of the constitution if the recommendations they favor are overruled. []

8. Moreover, the adoption of the constitution and the holding of local elections could actually work against Aquino, at least in the short term. Many of her political rivals are better organized than she is and can be expected to make significant gains in local elections, thereby creating an even more fragmented situation than now exists. Such a situation might be good for greater democracy, but would undermine the consensus needed to attack other serious problems. []

9. The prospects are becoming increasingly poor that Aquino will be able to deal effectively with the corruption issue despite her own personal honesty and sincere efforts to establish higher standards of official conduct. Some progress has been made in uncovering the abuses of the Marcos era, and in reducing the most blatant forms of graft and corruption practiced by government officials. But she has been reluctant to press for a complete crackdown because of political realities, including Enrile's and others' sensitivities. []

10. An even greater test of her ability will be the restoration of a sense of justice among the poor. Perhaps the greatest contributor to Marcos's downfall was the vast majority's perception that under Marcos the system had become unfair and unjust. This directly contributed to the surge of "people power" which challenged him at the polls and then in the streets. With the new government came a strong hope that justice and fairness would be restored. To their credit, the Commission on Good Government headed by Salonga, and the Committee on Human Rights headed by Diokno have apparently struck a responsive chord with the public. However, some of their activities have aggravated political factionalism. The military, for example, is angry that the government has singled out the Philippine armed forces for alleged human rights abuses, while ignoring those of the New People's Army. Unfortunately for Aquino, while there is no question about her personal integrity and commitment to justice and fairness, the perception may be growing that her government cannot achieve the hoped-for

results. To overcome this situation the government needs to:

- Rebuild effective local political institutions by adequately financing and staffing them with competent and concerned administrators.
- More rapidly refurbish and expand the judicial system, particularly in the rural areas.
- Continue to reduce the reality and perception of human rights abuses by the NAFFP.
- Narrow the gap in the standard of living between rich and poor.

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But we are concerned that progress is not being made to these ends, and that Aquino's support may be weakening. []

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11. Thus far, President Aquino has taken no significant steps to institutionalize "people power." Her support remains basically limited to the groups that were instrumental in her original campaign for the presidency. But even among these supporters, some problems are emerging. Specifically:

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- The Catholic Church remains supportive but in recent months has become less politically active. Some leaders have become increasingly concerned about drift in her government.
- Labor also has been generally supportive but has become increasingly polarized between the Trade Union Congress of the Philippines and the more militant Communist-dominated May 1st Movement (KMU); labor unrest and strikes have been growing.
- Business, while supportive, is also becoming more critical of Aquino's attitudes toward trade liberalization, and is disappointed with her statements that business is to blame for the ongoing high level of strike activity. []

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12. While her traditional support base remains essentially intact, it has been weakened, and Aquino has not proven effective in broadening it. The government is still developing its approach to the question of Muslim autonomy and various Muslim groups are becoming increasingly alienated. Even though Aquino included some KBL representation on CONCOM, many Marcos supporters remain disaffected. []

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Improving the Economy

13. A critical factor in the success or failure of the new regime is how it deals with the economy. Some relief is in sight with a possibility of a 6-percent

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increase in GNP in 1987. But, the magnitude of Manila's problems are immense. *Even if the Philippine GNP could sustain a 5-percent per year growth rate, by 1993 per capita GNP would still be lower than it was in 1981.*

14. The Aquino government has apparently negotiated an IMF standby credit agreement (approximately \$500 million) as the financing umbrella for her structural reform program. She has started to dismantle the agricultural monopoly structures, particularly in coconut and sugar. She has committed her government to divestment of governmental financial institutions whose deficits severely drain public finances, although we expect it to be slow going. The Aquino government has also enacted a tax reform package to enhance revenues and improve economic efficiency.

15. An important economic policy reform—further depreciation of the peso—is unlikely to be taken by the Aquino government, even though this could contribute to the rural economy. The exchange rate is one of Manila's most powerful economic policy tools. According to CIA's econometric simulations, the 1983 depreciation of the peso by 50 percent has been the single most important factor in helping to stabilize the economy over the past two years. It has resulted in an improvement in the current account from a \$3.2 billion deficit in 1982 to a small surplus last year. It has also aided exporters by directly raising the peso revenues from both commodity and manufactured exports.

16. Foreign investment rules have not been liberalized because of the opposition to foreign investment by several of Aquino's key advisers. An effort by Minister of Trade and Industry Concepcion to streamline the Board of Investments and ease bureaucratic red tape for foreign investors has been stymied. The foreign investment provisions of the new draft constitution are similar to those of the previous constitution.

17. Neither foreign nor domestic investment are likely to grow until there is greater investor confidence in the government, and there are no signs that this is improving. Just returning domestic investment to its 1981 level would require \$4 billion in new capital; most of this money would have to come from abroad since the government is running a huge budget deficit and private savings have been negative for the past two years. Yet foreign investors are worried about the insurgency and put off by the hostile attitude of Aquino's advisers toward investment; domestic investors share the concern about peace and order and are

put off by her seeming pro-labor and anti-business attitude. The result is that little or no investment is being made.

18. While there may be some growth of aggregate GNP over the next year, because of the conditions outlined above, we believe that the economy is not likely to substantially improve. Under such conditions:

- The government will have severely limited funds with which to address serious economic problems such as unemployment. This could contribute to greater political and social tension, thereby benefiting the insurgency.
- The capital urgently needed for Philippine economic recovery is not likely to be forthcoming, and difficulties between the government and business are likely to be exacerbated.
- There are likely to be increasing demands for US aid.

Reforming the Armed Forces

19. One of the most promising signs for the Aquino government is its effort to reform the armed forces. Among the accomplishments that bode well for the future are:

- Most generals past retirement age have been retired, and professionalism and ability have become the primary requisites for promotion of new officers.
- The military leadership, notably General Ramos, has cooperated with Aquino and has, thus far, been supportive of and loyal to her.
- Human rights abuses by the armed forces have been reduced.

20. Nevertheless, there continue to be areas of concern. The Philippine military budget, continuing past trends, has been reduced—15 to 20 percent in 1986—and is not likely to be increased to any major degree in 1987. US military assistance is being increased 100 percent—from \$50 million in FY 1986 to \$100 million in FY 1987—and will be spent in needed areas. But there will be insufficient funds to meet the requirements for better pay, training, and logistics. To date there have been only modest efforts to address serious underlying deficiencies, and counterinsurgency planning has been unimpressive.

21. Of even greater concern is the serious disillusionment within the military over Aquino's performance. Many officers have become openly critical of

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Key Military Deficiencies of NAFP

- *Organizational/Command and Control*—The existence of two ground forces, the Army and the Constabulary, whose responsibilities are not clearly delineated, generates rivalry and leads to poor coordination, in the field. The 36,000-strong Constabulary, deployed primarily in small detachments in rural areas, contributes little to security and often invites NPA guerrilla attack. The operational command chain is obscured by numerous operational and administrative headquarters elements whose authority is often unclear. At the local level, commanders often tend to be more responsive to political officials than the military hierarchy.
- *Training*—Except for the Marines, there is no standardized individual training, and unit training is almost nonexistent. Training facilities often lack the most basic training aids. Although the NAFP has many capable training personnel, training was a low priority for the previous leadership, and training programs were consistently underfunded.
- *Logistics/Equipment/Maintenance*—The logistic system is unwieldy and unreliable. Field commanders are often forced to rely on personal contacts in GHQ to obtain necessary supplies. Effects of the poor distribution system are compounded by poor procurement and accounting procedures and inadequate maintenance, which result in equipment being cannibalized or dead-lined rather than repaired. For example, 16 S-76 helicopters acquired in 1983 are operating with almost no spare parts, and their operational status is expected to decline significantly.
- *Mobility*—Limited air and naval resources give the armed forces only a marginal capability to move units between regions. The shortage of trucks and helicopters (in part a result of poor maintenance practices) often leaves units unable to react to tactical engagements in a timely fashion. Less than 30 medium-lift helicopters are normally available to the entire NAFP to support counterinsurgency operations. Moreover, mobility assets have traditionally been mismanaged; helicopters, for example, are often relegated to a VIP transport role.
- *Intelligence*—While collection of tactical intelligence is adequate, dissemination is poor. Numerous competing intelligence organizations duplicate efforts and fail to share results. Intelligence reporting tends to go up administrative or service chains rather than operational chains. At the regional and national levels, synthesis and analysis of intelligence are generally poor, and show a tendency to merely compile statistical data.

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her policies toward the CPP/NPA and human rights abuses, which they believe favor the Communists and discriminate against the military. They also are concerned that the government has failed to develop a cohesive counterinsurgency plan and believe much more decisive action is needed. Some of these officers, principally activist members of the reform movement who helped instigate the February revolt, are engaging in contingency planning to intervene in the government if trends do not improve.

Combating the Communist Insurgency

22. Overall, the prospects for the development of an integrated counterinsurgency strategy are poor. Some modest steps have been taken. For example, a number of government officials seem to have developed an increased awareness of the depth of the insurgency problem; at the local level, some commanders are cooperating with government officials to coordinate counterinsurgency activities. Also, Aquino has reactivated the National Security Council, which could accord an organizational base for coordinating the national counterinsurgency effort, provided the

personalities (Enrile and Arroyo are two of the five members) can eventually work together. A number of troubling factors, however, more than offset these few positive signs, including:

- Aquino and her closest advisers continue to take a short-term approach toward countering the insurgency, relying almost exclusively on negotiations as their strategy and resisting suggestions from the NAFP and the United States for a more comprehensive package of political, economic, and military measures. Moreover, their reluctance to develop a fully integrated civil-military approach to the insurgency is often coupled with promises to “unleash” the military if their negotiating strategy fails. If this is truly their view—and we fear it is—a serious problem exists. It indicates that they neither appreciate the dimensions of the CPP/NPA threat nor fully comprehend what is required to mount a successful counterinsurgency strategy.
- Some senior military and civilian officials are suspicious of and mistrust each other, which precludes cooperation against the insurgency.

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- The government lacks resources to implement even the most modest programs.
- The government faces political turbulence and stagnation at many local levels. As previously noted, a number of Aquino's appointed officials are unwelcome in the areas to which they have been sent; this has precluded effective civil-military cooperation at the local level against the insurgency [redacted]

23. Given these difficulties, we believe Aquino and her advisers will continue to take a "muddle through" approach to counterinsurgency in the mistaken hope that either the insurgents will lay down their arms or the military will be able to contain their growth. In fact, reliable reporting indicates that government inaction is just what the CPP/NPA is counting on. [redacted]

24. The insurgents intend to take advantage of cease-fire talks by increasing their ranks and expanding their influence in the countryside while, for the most part, the NAFP and civilian officials remain idle. When Marcos was initially overthrown, the CPP and its associates, the NPA, NDF, and others sustained some setbacks because of their failure to predict Aquino's success and join in her movement. Despite party discord and leadership changes, however, there are few indications of serious ruptures in the CPP, and we believe its strategy remains essentially unchanged. We judge the Communists will:

- Posture for negotiations with the Aquino government to enhance their "moderate" image, which buys time to expand their political and military power.
- Participate in upcoming elections where they have the potential to win some significant electoral victories at the local and possibly even the provincial level. They plan to participate covertly through front groups, and in some cases by supporting other candidates who are sympathetic to their cause.
- Continue their propaganda attack against the "system," the United States, and NAFP abuses. [redacted]

25. The CPP has strongly emphasized self-reliance in the past, but it may be undergoing a shift in its approach. Some recent reporting indicates that the Communists are now willing to accept external material support. The decision may be designed to gain increased legitimacy abroad, to prepare for anticipated increases in US support for the NAFP, or as a ploy to strengthen arguments of NAFP hardliners in an effort to further aggravate civil-military tensions. We

have not seen signs of weapons and equipment being supplied by any outside power, and we are uncertain what kind of aid would be sought and how it would be used. If, however, the insurgents were to begin acquiring substantial amounts of arms, their capabilities could rapidly and significantly improve. [redacted]

Overall Prospects For Political Change

26. We believe that the situation is likely to get worse in the Philippines over the next year, and that:

- Personal infighting and serious policy differences in the cabinet will continue to inhibit decisionmaking.
- The Communist insurgency will likely expand gradually, though it will not be strong enough to overthrow the government during the period of this Estimate.
- There are better than even prospects that some political shakeup will occur. [redacted]

27. We believe there is a high probability that the personality conflicts and internal infighting among some of Aquino's cabinet members will eventually result in some of them either resigning or being fired. Aquino has a broad representation in her cabinet, but personality and policy conflicts are deep and bitter. Aquino appears to be growing weary of the infighting and could decide to replace certain of her cabinet ministers as a means of achieving greater unity. No matter who leaves, some of Aquino's support base will undoubtedly be alienated and this could offset any gains in cabinet and government unity:

- If Aquino were to replace figures such as Sanchez, or more importantly, Pimentel, Arroyo, Diokno, or Salonga—as desired by some military reform leaders—it would alienate some of those who have given her strong support in the past.
- But, if Aquino were to fire Enrile, key military leaders who support him might perceive it as a move by people they consider to be "leftists" and "Communists" to capture Aquino. Such a perception would increase the prospects for a coup. [redacted]

28. We judge that various political factions will likely pose a formidable challenge to Aquino's authority in the local and congressional elections planned for next year. Several groups are already gearing themselves up for these elections, including some former Marcos supporters, Laurel's UNIDO, and supporters of Enrile, among others. They have the potential to win a significant number of seats in the new legislature and,

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because of the limitations on executive power embodied in the draft constitution, could become a formidable obstacle to Aquino's exercise of power. While such a development could be healthy from the standpoint of developing democracy, it would undermine the consensus needed to attack other problems confronting the government. Given the threat posed by the Communists, fragmentation and bickering at the center could play into the hands of the insurgents. []

Will There Be a Coup?

29. We cannot rule out the possibility that the military might intervene to oust Aquino. If there were to be a coup attempt it would most likely be instigated by Enrile-associated reformist officers in concert with Enrile and other sympathetic elements within and outside the NAFP. But we believe that the military would prefer to cooperate with the President and would first try to find alternative means to affect the government. They could try to force Aquino to change the composition of her government and to adopt policies that they favor, notably the adoption of an integrated counterinsurgency strategy. If unsuccessful, they might then attempt to coerce Aquino into accepting a power-sharing deal in which she remained a figurehead President, but others—including but not exclusively the military—exercised significant power. We judge that Aquino would resist such attempts. And, if the perception continued to grow that Aquino's policies were jeopardizing national security, or in some cases if personal and political interests were seriously challenged, there are those within the military who have both the will and capability to conduct a coup. Military intervention could also be triggered by a miscalculation on the part of either side. Even with support of some civilian technocrats, however, the military is ill-suited to provide competent administration. And, if in the unlikely event the military tries to take over, it could well result in discord and political collapse, with the CPP/NPA being the primary beneficiary:

- The NAFP is not united and would not be a cohesive actor. Conflicts exist among key officers over the reform movement, promotions, and personal loyalties. Some officers are also still loyal to Marcos.
- The NAFP has been inept in prosecuting the insurgency in the past. They are not likely to do any better if they attempt to take on a greater role in running the government. []

30. We believe that pro-Marcos loyalists lack the strength and ability to overthrow the government. Former Marcos vice-presidential candidate Tolentino's

attempted coup in July failed miserably and demonstrated that few Filipinos desire a return of the Marcos regime. Other divergent elements might contemplate action against the government, but the support of the military would be required to achieve success. Aquino's still strong popular support will constitute a formidable obstacle to would-be coup-mongers. []

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31. In spite of our generally pessimistic forecast, we still believe that an Aquino government offers the best chance over the long term of establishing stability and democracy in the Philippines. An alternative government in which the military seized power would not have a broad base of popular support, would lack legitimacy, and would be no better able to handle Philippine problems than Aquino. And, the failure of her government or its overthrow would destroy the hope of many Filipinos that "people power" and a peaceful revolution can solve the problems confronting the Philippines. This disillusionment would likely lead to increasing polarization in the political system, and the Communist claim that the system itself is at fault would gain credibility with many more Filipinos, and the Communist Party (CPP) would likely win new adherents. []

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Alternative Outcome

32. While not the most likely scenario, we do not rule out the prospect that the situation could improve. Several developments could favorably alter our pessimistic forecast including:

- *The political situation stabilizes after the implementation of the new constitution and the holding of a free election.* If Aquino's supporters won a decisive victory in the election it could be widely viewed as a renewal of her popular mandate and could strengthen the authority she needs to press forward with reforms.
- *Aquino demonstrates stronger leadership over her cabinet and adopts a coherent set of national plans and programs.* She would have to combine these actions, however, with an aggressive effort to build up her base of support to compensate for those alienated by her attempts to bring order and direction to the government.
- *The Philippines economy makes a substantial recovery, creating a popular perception of government effectiveness.* This could come about if the government presses forward with reforms, large amounts of foreign aid are made available, and foreign and domestic investment are forthcoming. However, full economic recovery will likely take years.

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- *Aquino implements a fully integrated military-political counterinsurgency strategy that begins to reduce the Communist threat.*

Implications for the United States

33. Regardless of what happens, continuing challenges to the Aquino government are certain to have important implications for the United States over the next year. Among the most significant are:

- *The Philippines will request and expect to receive greater US economic assistance.* They take as a given that real limits existed on US aid to the Philippines in the last few years of Marcos's rule and that Washington will be far more generous now that he has been replaced by a popular new government. At the same time, Filipino officials will be more sensitive about the issue of base-related aid, preferring to see it as "rent." If substantially more aid is not forthcoming, some of Aquino's advisers, and perhaps the President herself, will interpret this as evidence that the United States is not supportive of the new government and still harbors sympathies for Marcos.
- *Philippine nationalism, which has a decidedly anti-US tone, is likely to continue to grow.* It will focus on opposing the US military facilities in the Philippines, calling for a nuclear-free Philippines, and alleging US economic exploitation.
- *US facilities in the Philippines will become increasingly controversial.* Although we expect Aquino loyalists to defeat attempts to insert an anti-base provision in the draft constitution, the issue will be hotly debated during the ratification period, and anti-US elements will seek to exploit such developments for political gain. The Philippine Government is now reviewing US agreements with Greece, Spain, and other countries to see how it can get a better deal on the bases. We believe that the government will be able to hold firm on its decision to keep its options open on the bases, and we also believe those officials who favor US retention of the facilities will continue to have influence. Nevertheless, the Philippine Government is already gearing up for tough negotiations and we should anticipate a considerably higher price tag and much more difficulty in achieving a new agreement.
- *There is a good possibility that an anti-nuclear resolution may be adopted, either in the new constitution or by the new legislature.* While

Complications in Maintaining US Bases

The Philippine Government is likely to raise some or all of the following issues in preparation for a review of the bases agreement:

- Hold firm on the concept that US military assistance is "rent" for the bases, thereby directly tying US access to monetary payments. This would correspond with a greatly increased price for the use of the facilities, and would probably be based on a Philippine assessment of how much the United States grants other countries where the United States has similar facilities.
- Require more Philippine control over use of the facilities. Some Filipino leaders have called for a new agreement which not only stipulates Philippine sovereignty over the bases, but also abolishes US exclusive use of some areas, giving Philippine commanders greater authority over more aspects of base operations. The Philippine Government could also demand that a new agreement provide the Philippines with a veto over US use of the facilities in the event of the outbreak of hostilities between the United States and the Soviet Union or some other country.
- Prohibit the stationing or transit of nuclear weapons on the bases. If enforced, this could complicate the US policy of neither confirming nor denying their presence.
- Support labor unions and worker demands for wages and better working conditions. The KMU has been particularly active in making new demands and in stirring up labor troubles on some of the facilities, and the Aquino government could try to assuage nationalistic sentiment and try to get more money by endorsing and supporting such demands.

such a resolution could ultimately prove to be innocuous, it could create embarrassment and put greater pressure on the United States with respect to our use of the facilities. In a worst case, developed between the United States and New Zealand and could create severe strains in US-Philippine relations.

- The Soviet Union is trying to recover from the loss of face it suffered during the Marcos-Aquino transition by making overtures to the Philippines for improved relations. However, *during the period of this Estimate, Aquino and other Philippine leaders are likely to remain suspicious of Soviet intentions and are likely to avoid any substantial improvement in ties to the Soviets.*

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