

# **THE PHILIPPINES: SECURITY CONTEXT AND CHALLENGES**

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By

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## **Introduction**

The Philippines faces a number of internal and external security challenges under the administration of President Gloria Macapagal-Arroyo. Much of the country's internal security problems are rooted in the long history of socio-economic inequalities in Philippine society, the inability of the state to govern effectively, and the continuing armed challenges from communist insurgents and Islamist secessionist groups. Notwithstanding the revitalized security alliance between Manila and Washington since 9-11, the country is still vulnerable to internal and external security threats. The strain in the relationship between Manila and Washington following the withdrawal of the Philippine humanitarian contingent in Iraq in July 2004 exposed the internal weaknesses of the country as an ally. This paper discusses the context and nuances of these internal and external security challenges confronting the Macapagal-Arroyo administration. What follows is an overview of the Philippines' security environment after 9-11.

## **The Philippines Since 9-11: An Overview**

Following the tragic event of 11 September 2001, the Philippines had become an important pillar – and even a battlefield to some extent – in the fight against international terrorism led by the United States. The revival of the bilateral security alliance between Manila and Washington, which had been dormant since the closure of the US military bases in 1992, primarily benefited the Armed Forces of the Philippines (AFP) through military aid and training from the United States. In 2003, the Philippines became a non-NATO major ally of the US, which opened opportunities for easy access to American military logistics support for the AFP. For its part, the US also gained from the revitalized bilateral security alliance as it negotiated for a mutual logistics support agreement (MLSA) in 2002 – an accord that enhances its posture in the region in the fight against international terrorism.

The closer security relationship between Manila and Washington has had a number of implications to the Philippines' domestic politics as well as its regional and international

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policies with regard to fighting terrorism at home and abroad. In the domestic sphere, increased American military assistance to the AFP improved its morale and capabilities in fighting Islamist secessionist rebel groups, particularly the notorious Abu Sayyaf group (ASG) and the Moro Islamic Liberation Front (MILF). It also enabled the Philippine government to enhance its political leverage vis-à-vis the communist and secessionist rebel groups through the inclusion of the ASG and the New People's Army (NPA), the armed wing of the Communist Party of the Philippines, in the US' list of terrorist organizations. Compared to the ASG, however, the MILF has not been declared a terrorist organization even though there have been reports about its links with Al-Qaeda and Jemaah Islamiyah (JI). Ironically, it is the Philippine government that had opposed any moves on the part of the US to label the MILF as a terrorist organization. This is because the Macapagal-Arroyo administration signed interim peace agreements with the MILF in May 2002 and continues to explore peace negotiations with the secessionist group.<sup>1</sup> By opposing the inclusion of the MILF in the list of foreign terrorist organizations, the Philippine government has used this as a "carrot" to persuade MILF leaders to enter into formal peace negotiations, which resumed in early 2003.

The same leverage was used vis-à-vis the communist rebels, but more as a "stick" than a "carrot." With the US' move to include the NPA in the list of foreign terrorist organizations since August 2002, the Philippine government had forced the communist insurgents to go back to the negotiating table even as their funds get frozen.<sup>2</sup> However, the communist rebel group remained defiant and even threatened to attack US troops in the Philippines if they get involved in counter-insurgency operations against the communist insurgents.<sup>3</sup> To date, the listing of the CPP/NPA as a foreign terrorist organization continues to be a stumbling block to progress in peace talks between the government and the communist rebels.

Meanwhile, the "patron" role of the US became an object of criticism by some Filipino nationalist politicians and military officers who see the dangers of the AFP's growing dependence on the Americans in dealing with what is essentially a home-grown terrorist threat. In particular, the joint military exercises between Filipino and American troops were criticized as unconstitutional and one that undermines Philippine sovereignty. For instance, some Filipino politicians, non-government organizations, and media people expressed opposition to allowing US troops in the combat zone that could get them to be indirectly involved in the Philippine armed forces' military operations against the Islamist terrorist groups in the country. A number of Filipino opposition legislators even questioned the legality of US troop deployment in Mindanao and the wisdom of holding the joint military exercises in that part of the country. They argued that the Philippines might suffer the same fate as Vietnam in the 1960s, especially if the US forces came under attack not only from Islamist guerrilla forces. In such an event, the United States could be drawn into an essentially domestic conflict.

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<sup>1</sup> "Palace stands pat on accords with MILF," Inquirer News Service, 24 May 2002, from [http://archive.inq7.net/archive/2002-p/nat/2002/may/25/nat\\_1-1-p.htm](http://archive.inq7.net/archive/2002-p/nat/2002/may/25/nat_1-1-p.htm).

<sup>2</sup> "Terrorist tag on Philippine communist may spur peace talks: military," Agence France Presse, 11 August 2002.

<sup>3</sup> "Reds threaten to attack US troops," The Philippine Star, 9 December 2002.

American military assistance to the Philippines also created an apparent “rift” within the AFP, which partly led to the failed mutiny in July 2003. Specifically, the rebel junior officers accused top AFP military officials of corruption and of staging bombings in Mindanao in order to get more military assistance from the Americans.<sup>4</sup> Public opinion at the time was somewhat sympathetic to the grievances of the rebel soldiers, although it is not supportive of the unconstitutional means employed by them.<sup>5</sup> Even though the Feliciano Fact-Finding Commission that investigated failed mutiny concluded that the July 2003 rebellion was an attempt at overthrowing the government of President Macapagal-Arroyo, it also recognized that the incident was rooted in corruption and politicization of the military.<sup>6</sup> Clearly, the US’ patron role has resulted in domestic tensions not only within the military but also in civil-military relations, which are certainly unintended consequences of closer security cooperation between the two countries in the fight against terrorism.

The revived security alliance between the Philippines and the United States also had implications to the country’s relations with ASEAN and the rest of the international community. At the regional level, Philippine support for the US’ campaign against international terrorism had to be weighed against the collective ASEAN position on the issue. Essentially, the ASEAN position calls for policy coordination and collective action, as against unilateralism, in dealing with the threat of international terrorism. In its Declaration on Joint Action to Counter Terrorism in November 2001, ASEAN specifically underscored the need to strengthen cooperation at all levels – bilateral, regional, and international – in combating terrorism “in a comprehensive manner.” It also affirmed that at the international level, the United Nations should play an important role in this regard. This position was reaffirmed in several meetings of ASEAN and the ASEAN Regional Forum (ARF) since 2002.

Unlike the United States, which focuses primarily on the military approach in dealing with international terrorism, the Philippines shares the collective position of ASEAN in emphasizing the importance of a comprehensive approach to the issue. While the Philippines needed American military support in containing the threat posed by the ASG and the MILF, the Macapagal-Arroyo administration has repeatedly underscored the social-economic roots of terrorism. Hence, the military approach must be pursued along with social-economic programs that address the roots of the problem.

Policy coordination with ASEAN countries is another important aspect of the Philippines’ collective regional approach to terrorism. Specifically, it has entered into bilateral and

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<sup>4</sup> “Macapagal, Reyes, Corpus accused,” Inquirer News Service, 28 July 2003, from [http://www.inq7.net/nat/2003/jul/28/nat\\_2-1.htm](http://www.inq7.net/nat/2003/jul/28/nat_2-1.htm). See also Brett M. Decker, “A Fair Fight in the Philippines,” 18 October 2003, The New York Times, from <http://www.nytimes.com/2003/10/18/opinion/18DECK.html>. Decker reported that AFP Chief General Narciso Abaya admitted that there is graft and corruption in all levels of the military, which includes the selling of arms and other military hardware in the black market. Even American military assistance had been reportedly siphoned away and ended up in the hands of Islamist rebels.

<sup>5</sup> “55% in survey says soldiers’ reasons for mutiny valid,” Inquirer News Service, 26 September 2003, from [http://www.inq7.net/nat/2003/sep/26/nat\\_1-1.htm](http://www.inq7.net/nat/2003/sep/26/nat_1-1.htm).

<sup>6</sup> Christine O. Avendaño, “Oakwood mutiny a power grab, probe concludes,” 18 October 2003, Inquirer News Service, from [http://www.inq7.net/nat/2003/oct/18/nat\\_2-1.htm](http://www.inq7.net/nat/2003/oct/18/nat_2-1.htm).

trilateral agreements with Indonesia and Malaysia for information exchange and coordination of policies in combating terrorism in the region.<sup>7</sup> Following the Bali bombing in October 2002, President Macapagal-Arroyo called for the activation of the regional anti-terrorism pact, which by then had already expanded with the inclusion of Cambodia.<sup>8</sup>

To some extent, the need to anchor the Philippines' policy against international terrorism with ASEAN's position also serves a strategic purpose. Implicitly, the Philippine government may be wary of American unilateralism, and its membership in ASEAN somehow serves as a "balancer" in this regard. In a way, ASEAN's regional perspective and collective position on the issue have somewhat constrained the Philippines' support for the US, albeit for a good reason.

Beyond Southeast Asia, the Philippines revitalized security alliance with the United States served as an important springboard for projecting itself as an important member of the coalition of the willing in the fight against international terrorism. This was demonstrated for instance in the way that the Macapagal-Arroyo administration supported the US-led invasion of Iraq in March 2003 despite the unpopularity of that decision at home. Apart from supporting the war in Iraq, the Philippine government also campaigned hard in 2003 for a non-permanent seat in the UN Security Council, which it was able to secure with the support of the US and its allies. More recently, the Philippines got unanimously elected to chair the anti-terror task force of the Asia Pacific Economic Cooperation (APEC) during its summit in Chile in November 2004.

Overall, the revitalized security alliance between Manila and Washington has had an impact on the domestic politics of the Philippines as well as on its regional and international policies in dealing with international terrorism. Nonetheless, the country still faces a number of security challenges. The next section of this paper discusses in more detail these challenges.

### **Security Challenges: Internal and External Dimensions<sup>9</sup>**

#### Political Stability

A major internal security concern of the Philippine government is ensuring political stability of the country following a bitterly contested national election in May 2004 where President Macapagal-Arroyo narrowly won (40 percent of the votes cast) over her close rival, movie actor Fernando Poe Jr (FPJ, who gathered 36.5 percent of the votes) by over one million votes. With a fresh six-year mandate, Macapagal-Arroyo's immediate challenge was to get

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<sup>7</sup> "RP to Jakarta, KL: let's activate anti-terror pact," Agence France Presse, 17 October 2002, as cited in [http://www.inq7.net/brk/2002/oct/17/brkpol\\_15-1.htm](http://www.inq7.net/brk/2002/oct/17/brkpol_15-1.htm).

<sup>8</sup> "Anti-terror pact pushed", Inquirer News Service, 20 October 2002, from [http://www.inq7.net/nat/2002/oct/21/nat\\_3-1.htm](http://www.inq7.net/nat/2002/oct/21/nat_3-1.htm).

<sup>9</sup> This section of the paper is taken mainly from a working draft of the chapter on the Philippines in the forthcoming Asia Pacific Security Outlook 2005 written by the author, and has been updated to cover developments since late September 2004.

the needed support of all major political parties, including those who ran against her in the elections. Except for FPJ, who is still contesting the validity of her proclamation in an electoral tribunal, all the other candidates have conceded defeat.

Less than a month after she was proclaimed, President Macapagal-Arroyo faced a major political crisis following the kidnapping of an overseas Filipino worker in Iraq, Angelo de la Cruz, in early July by a group of terrorists. They demanded the pull out of the 51-man Philippine humanitarian contingent in Iraq, or face the consequences of de la Cruz's beheading. The political risk at home was certainly high had the Macapagal-Arroyo government refused to give in to the demands of the kidnapers. There are more than 4,000 Filipino workers in Iraq, and about 1.5 million in the Middle East. Angelo de la Cruz became the rallying symbol of poor Filipinos who are willing to take the risk abroad to be employed in order to send money back home (estimated at US\$6-7 billion a year). If Macapagal-Arroyo stood pat on her unequivocal support to the American-led war in Iraq, the beheading of de la Cruz could have been a rallying point for FPJ's followers and exploited by other anti-Macapagal-Arroyo forces in the country, which could then threaten her government's political survival. It is against this backdrop that the Macapagal-Arroyo administration decided to withdraw the Philippines' humanitarian contingent and categorically stated that she makes no apologies for that decision amidst strong disappointment on the part of the US and harsh criticisms by the Australian government.<sup>10</sup> The kidnapers later on released de la Cruz and public opinion, at least in the capital region of Metro Manila, was fully supportive of Macapagal-Arroyo's decision.<sup>11</sup> Clearly, a serious political crisis that threatened the survival of Macapagal-Arroyo's government was averted. Nonetheless, some domestic criticisms of the government's decision focused on concerns about the Philippines' international image and credibility as a reliable ally in the fight against international terrorism, which has been tarnished by "giving in" to the demands of the terrorists.

In November, two other Filipino workers were kidnapped separately in Afghanistan and Iraq. Angelito Nayan, a diplomat working for the UN in Kabul, was kidnapped with two other UN workers for three weeks and later released by their captors. Roberto Tarongoy, an accountant working for a US company, was kidnapped a week after Nayan and is still being held captive in Iraq. The kidnapers of Tarongoy reportedly demanded US\$12 million in exchange for his release. On these two cases, the Philippine government strictly imposed a news blackout in order not to jeopardize ongoing negotiations with the kidnapers even as it underscored a no-ransom policy. Meanwhile, the US was careful in making statements about these two cases so as not to exacerbate the situation and thereby aggravating further its already strained relations with the Philippines following the de la Cruz saga. Both countries at this time were quietly patching up their rift even as their leaders were to meet in the APEC summit in Chile at the end of the month.

### Peace Talks with Islamic and Communist Insurgents

<sup>10</sup> Marvin Sy, "Australia blames RP for new terror threat," *The Philippine Star*, 26 July 2004; "Iraqi, US officials say RP set bad precedent," *Inquirer News Service*, 20 July 2004.

<sup>11</sup> "72% of Metro approve of Arroyo's decision: survey," *Inquirer News Service*, 22 July 2004.

Peace talks between the Philippine government and the Moro Islamic Liberation Front (MILF) are expected to resume in early 2005 in Kuala Lumpur, Malaysia. Originally, the negotiations was scheduled to resume in October or mid-November 2004 following the dropping of criminal charges against MILF rebels in connection with terrorist bombings in Davao City in 2003.<sup>12</sup> However, negotiations could not push through following allegations made by the MILF that the AFP violated the two year -old ceasefire agreement in the third week of November as the latter conducted air strikes in Datu Piang, Maguindanao against Abu Sayyaf and JI members.<sup>13</sup> The MILF filed a protest before the Malaysian-led International Monitoring Team (IMT), arguing that the military attacked a MILF-controlled area even as it claimed that there were no Abu Sayyaf or JI members in the territory.<sup>14</sup> Notwithstanding these developments, both the Philippine government peace panel and MILF negotiating team remain optimistic that a peace accord would be signed by next year as there are no more contentious issues that obstruct the peace pact.<sup>15</sup>

Meanwhile, progress in the negotiated settlement of the communist insurgency remains stalled as the Communist Party of the Philippines/New People's Army (CPP/NPA) rebels demanded the Macapagal-Arroyo government to lobby for their removal in the American and European terrorist lists as a precondition for resumption of peace talks.<sup>16</sup> However, the Macapagal-Arroyo government insisted that the listing of the CPP/NPA as a terrorist group is a sovereign act of the American and European governments and for which the Philippines would not interfere. For its part, the Philippine military had opposed the delisting of the CPP/NPA as a terrorist organization even as the US renewed the terror tag on the communist insurgent group.<sup>17</sup> Consequently, the communist rebel negotiators unilaterally called a one-month postponement of the peace talks originally scheduled in late August 2004.<sup>18</sup> However, this was superseded by an announcement a few days later by exiled communist leader Jose Maria Sison that the peace talks would be suspended indefinitely in protest of the US renewal of terror tag against the CPP/NPA.<sup>19</sup> In September, the head of

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<sup>12</sup> Marichu Villanueva, "RP-MILF talks set next month," *The Philippine Star*, 9 September 2004. The dropping of criminal charges was part of the confidence-building measures between the government and the rebels, along with international peace monitoring teams from Bahrain, Brunei, Libya, Malaysia, and Japan that will oversee the ceasefire agreement. The MILF also demanded the pullout of military troops from Buliok complex in Pikit, North Cotabato, for which the government complied as precondition for peace talks with the rebels. (Roel P. Osano, "MILF upbeat on peace talks' resumption after dropping of bomb charges," *BusinessWorld Online*, 14 August 2004.)

<sup>13</sup> Agence France Presse, "Gov't troops raid 'Abu-JI' meeting; 10 killed – general," *Inquirer News Service*, 20 November 2004.

<sup>14</sup> Joeffrey B. Maitem, "MILF files protest before Malaysia-led monitoring team," *Mindanews*, 21 November 2004.

<sup>15</sup> Allan A. Nawal, "Murad: MILF ready to sign accord," *Inquirer News Service*, 10 October 2004; "Arroyo adviser sees no obstacle to pact with MILF," *Inquirer News Service*, 1 December 2004;

<sup>16</sup> "CPP, NPA want Arroyo to ask US, Europe to them off terror list," *The Philippine Star*, 11 August 2004.

<sup>17</sup> "Military opposes CPP/NPA delisting," *Inquirer News Service*, 12 August 2004.

<sup>18</sup> Marvin Sy, "Gov't won't act on CPP -NPA request for delisting as 'terrorist'," *The Philippine Star*, 13 August 2004.

<sup>19</sup> Benjie Villa, "Joma postpones peace talks indefinitely over terror tag," *The Philippine Star*, 17 August 2004.

the government's peace panel had appealed to the US and European governments to remove the communist insurgent group from the list of international terrorist organizations to pave the way for the resumption of peace talks.<sup>20</sup>

The prospects for the resumption of peace talks with the communist rebels could be undermined further by: 1) pronouncements of the government and the military that link the CPP/NPA to international terrorist organizations; 2) the violent dispersal of striking workers in Hacienda Luisita; and 3) NPA attack on soldiers who were on relief and rescue mission in flooded areas of a province close to Metro Manila in November. In October, President Macapagal-Arroyo ordered a review of the government's strategy in addressing the communist insurgency problem, including the peace talks, following intelligence reports of increased links between the CPP-NPA and international terrorist organizations. While she said that her government was not ready to have the CPP-NPA removed from the list of foreign terrorist organizations (FTO), she nonetheless expressed her government's commitment to the peace process.<sup>21</sup> Meanwhile, the Philippine military still considers the NPA as the main threat to internal security even though its armed strength remains the same because the number of communist-influenced *barangays* (villages) had increased throughout the country.<sup>22</sup> Even so, the military is still in favor of continuing peace talks with the communist rebels.<sup>23</sup>

The bloody encounter between police and striking workers at Hacienda Luisita in Tarlac province in mid-November is also likely to scuttle the peace talks between the government and CPP/NPA/NDF. Some government officials expect that the communist insurgents will raise the issue as a violation of human rights by authorities. About fourteen people died in the violent dispersal of picket lines that were alleged by the police and the family of former President Corazon Aquino to have been infiltrated by leftist groups that sparked the riot.<sup>24</sup> Meanwhile, executive and legislative officials of the government condemned the ambush staged by NPA guerrillas in San Rafael, Bulacan province that killed ten AFP soldiers who were on rescue and relief mission following a typhoon and flood devastation that left about 340 people dead and some 150 more missing.<sup>25</sup> The government could raise the incident as a human rights violation by the NPA, which could be an additional thorn in the peace talks with the communist rebels. The government also blamed the NPA for the flood devastation in several provinces as a result of alleged illegal logging in these areas.<sup>26</sup>

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<sup>20</sup> Joey Gabriela, "Delisting of CPP, NDF from terror list urged," Inquirer News Service, 18 September 2004.

<sup>21</sup> Sol Vanzi, "Government Sees Links Between Reds, Terrorists," Philippine Headline News Online, 20 October 2004, from <http://www.newsflash.org/2004/02/hl/hl101177.htm>.

<sup>22</sup> Christine Avendaño, "NPA still main threat, says military chief," Inquirer News Service, 27 November 2004.

<sup>23</sup> Juliet Labog-Javellana, "Cabinet split over review of peace talks with Red," Inquirer News Service, 2 November 2004.

<sup>24</sup> Joel Francis Guinto, "Hacienda Luisita can be 'thorn' in talks with Red - Palace," INQ7.net, 18 November 2004.

<sup>25</sup> "Palace condemns NPA ambush on soldiers in relief mission," The Philippine Star, 2 December 2004.

<sup>26</sup> Jeffrey Valisno, Carina Roncesvalles, and Romer Balaba, "NPAs involved in logging - GMA," BusinessWorld Online, 3-4 December 2004.

### Economic Stability and Fiscal Crisis

Apart from armed conflicts, the Philippine government faces serious economic challenges that could undermine the political stability of the country. Foremost among these is the fiscal crisis that threatens to constrain economic growth and induce capital flight. During her inauguration, President Macapagal-Arroyo laid down a 10-point legacy program within her six-year term that include, among others, balancing the budget through effective revenue collection and spending, and attaining peace in Mindanao. Of these, the most pressing is balancing the budget by improving revenue collections given the chronic fiscal deficit that now runs close to P200 billion (or US\$3.57 billion). A group of economics professors from the University of the Philippines had warned that the country would be facing a serious financial crisis in the next two to three years if the Macapagal-Arroyo government fails to arrest the growing public debt, which stood at P3.36 trillion by third quarter of 2004 and has doubled since the 1997 Asian financial crisis, or approximately 130 percent of the country's GDP.<sup>27</sup> The Macapagal-Arroyo government has taken the warning seriously and proposed new tax measures to deal with the current fiscal crisis even as she launched government austerity measures to curb unnecessary public expenditures. Even legislators were pressed to cut their pork barrel as the media pointed to it as a source of corruption and waste of government resources. Some economists and former finance officials, however, opined that the Philippines is still far from having an Argentina-type financial crisis because the country continues to have accelerating economic growth, with more earnings from exports averaging US\$36 billion per year.<sup>28</sup>

National politicians continue to debate on the best approach in handling the deficit problem – either via new taxes or improving revenue collections, while some local politicians who will be affected by proposed reduced internal revenue and pork barrel allotments opposed these proposals. In the meantime, international credit rating agencies have warned the Philippine government of possible credit downgrade due to concerns of over the snail pace of fiscal reforms.<sup>29</sup> The warning was aimed at pressuring the Philippine legislature to pass the needed tax measures in order to arrest the growing budget deficit of the national government. Failure on the part of the government to address its fiscal problem will have serious implications not only to the country's economic and political reforms but also to the ongoing military reforms in the AFP whose credibility and integrity has been tarnished by corruption scandal. Altogether, these could undermine the political stability of the Philippines.

### Corruption in the Military

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<sup>27</sup> Marichu Villanueva, "GMA admits RP in fiscal crisis," *The Philippine Star*, 24 August 2004.

<sup>28</sup> "RP far from Argentina-style financial crisis, says ex-cabinet men," *BusinessWorld Online*, 20 September 2004.

<sup>29</sup> Des Ferriols and Marichu Villanueva, "Moody's warns RP of credit rating downgrade," *The Philippine Star*, 11 November 2004.

The corruption scandal in the AFP that broke out in early October 2004 involving senior military officials has seriously affected the morale of the defense establishment.<sup>30</sup> In an effort to contain the destabilizing effects of the scandal, President Macapagal-Arroyo ordered court martial proceedings against Major General Carlos Garcia, a former military comptroller, for corruption owing to unexplained wealth. His aide, Colonel George Rabusa, was relieved of his post as operations officer of the AFP's Central Command in Cebu City amidst investigations on his unexplained wealth. More recently, the crackdown on corruption in the military went on high gear as the office of the Ombudsman filed perjury charges against, and ordered the forfeiture of some P11.2 million worth of questionable assets of, retired AFP Chief of Staff Lisandro Abadia.<sup>31</sup> New AFP Chief General Efren Abu was tasked by President Macapagal-Arroyo to ensure transparency in the court martial proceedings against Garcia. She also ordered the AFP to "civilianize" its comptrollership function and revamp the board of directors of the AFP Savings and Loans Association, Inc. (AFPSLAI), and named civilians to replace retired military generals holding five key posts in the Department of National Defense.<sup>32</sup> Prior to his retirement as AFP chief in October, General Narciso Abaya ordered the closure of five commercial subsidiaries of the AFP's Retirement and Separation Benefits System (RSBS) to prevent them from siphoning off millions of pesos from soldiers' pension and other benefits. RSBS has been the object of criticism by many soldiers in the military and has been a major source of corruption in the AFP. The Department of National Defense is contemplating a new civilian-run pension fund for soldiers inasmuch as the RSBS has failed to support the financial needs of the soldiers.<sup>33</sup> For his part, AFP Chief General Efren Abu ordered a stop to the practice of funds "conversion" in the military, which has been a source of corruption in the establishment.<sup>34</sup>

Meanwhile, the United States had expressed satisfaction over efforts of the Macapagal-Arroyo government to weed out corruption in the AFP.<sup>35</sup> Nonetheless, the US is keenly monitoring its military aid to the Philippines, including strict inventory of equipment. The Philippine military continues to benefit from close security ties between Manila and Washington. Some 30 helicopters from the US are due for delivery between the last quarter of 2004 until the first quarter of 2005. In October 2004, the US Senate appropriations committee approved an increase in the foreign military financing assistance to the Philippines in 2005, from US\$30 million to US\$55 million as requested by the Bush administration. The US Senate committee added an extra US\$25 million due to strong lobbying by the Philippine embassy in Washington and the committee's concern over terrorist activities in Southeast Asia. The US has pledged more than US\$300 million in total assistance to the AFP for five years since 2002, primarily for equipment and training. Joint military exercises continued throughout the year, specifically in the area of counter-

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<sup>30</sup> Julie Alipala, "Troops morale down, military officers admit," *Inquirer News Service*, 21 October 2004.

<sup>31</sup> Delon Porcala, "Ex-AFP chief faces perjury raps, forfeiture of P11-M assets," *The Philippine Star*, 1 December 2004.

<sup>32</sup> Marichu Villanueva, "GMA revamps AFPSLAI, DND," *The Philippine Star*, 1 December 2004.

<sup>33</sup> "5 subsidiaries of military pension fund closed," *The Philippine Star*, 7 October 2004.

<sup>34</sup> Joel Francis Guinto, "Abu outlaws 'conversion', military practice considered source of corruption," *INQ7.net*, 26 November 2004.

<sup>35</sup> Marvin Sy, "US lauds RP handling of Garcia case," *The Philippine Star*, 19 October 2004; Artemio Dumlao, "US happy with RP tack vs. corruption," *The Philippine Star*, 24 October 2004.

terrorism. Military cooperation will continue over the next five years under the Philippine Defense Reform Program, an upshot of the Joint Defense Assessment conducted by the AFP and the US Pacific Command in 2003. The JDA report identified a wide range of weaknesses in the AFP's operational capabilities, such as ground mobility, air assault capability, intelligence, communications equipment, and civic action. Apart from improving on equipment, the Philippine military needs to reform its organization and structure in order to integrate operations and intelligence. More than inadequate resources and funding, the AFP's effectiveness has been undermined by perceptions of widespread corruption within its ranks.

### External Security Environment

#### *Terrorist Links in the Region*

The fight against international terrorism continues to be the main preoccupation of the Macapagal-Arroyo government in the area of external security even as the reported linkage between Islamist secessionists (including the Abu Sayyaf) in southern Philippines and the Jemaah Islamiyah and Al-Qaeda remains to be its major concern. In August, two suspected JI members operating in the Philippines – Mama sao Naga and Abdul Pata, who were considered responsible for the train bombings in Manila in December 2000 – were arrested by the Philippine military and are now on trial. Following the arrests of these suspected JI members, President Macapagal-Arroyo reiterated her government's commitment to fight international terrorism alongside its allies. In October, President Macapagal-Arroyo announced that the fire that sank the passenger ship Superferry 14 in Manila bay in February 2004 was caused by a bomb planted by the Abu Sayyaf. Two of the six Al-Qaeda-linked militants suspected of planting the bomb have been arrested and were charged in the worst terrorist attack in the country that killed 100 people. The government initially rejected the claims by the Abu Sayyaf of sinking the Superferry as an empty boast to prop up its image. As a result of the tragedy, sea marshals and bomb-snifing dogs now accompany ferries in the Philippines, while the government imposed stricter screening of passengers and cargos.<sup>36</sup>

#### *Philippine-US Relations: Strain and Fallout from Iraq Withdrawal*

Notwithstanding the rift in their bilateral relations following the withdrawal of Philippine troops in Iraq, the military alliance between Manila and Washington, remains intact. For one, joint military exercises between the two countries' armed forces were still in order. A counter-terrorism training in central Mindanao was conducted in mid-July and will continue until the end of the year.<sup>37</sup> Meanwhile, US Ambassador to the Philippines Francis Ricciardone, in a joint press conference with then Foreign Secretary Delia Albert in early August 2004, acknowledged that the two allies had serious disagreements but that both

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<sup>36</sup> Marichu Villanueva, "Superferry Sinking Last February A Terrorist Attack," Philippine Headline News Online, 12 October 2004.

<sup>37</sup> Roel Pareño, "US counterterror training starts," The Philippine Star, 26 July 2004.

Manila and Washington had “very important security relations” and “very important common interests” that it is in their mutual interest to rebuild their bilateral ties.<sup>38</sup> US President George Bush echoed the same to President Macapagal-Arroyo following his election victory in November and during the APEC meeting in Chile later in the same month.

The Philippine government nonetheless was forced by the de la Cruz saga to rethink its unequivocal support for the US-led war in Iraq, which has clearly put at risk the lives of many Filipino overseas workers in the Middle East. (It must be pointed out that as early as April 2004, President Macapagal-Arroyo already called for a review of the government’s policy on Iraq – particularly the deployment of humanitarian troops in that country – following the kidnapping and subsequent release of an unidentified Filipino truck driver.<sup>39</sup>) Consequently, then Foreign Affairs Secretary Delia Albert announced that the Philippine participation in the reconstruction of Iraq will be conducted within the framework of the United Nations Security Council resolution 1546, and only after elections were held in that country. She also stressed that no deployment of Philippine troops will take place in the near future.<sup>40</sup> At the same time, the Philippine government also banned the deployment of Filipino workers in Iraq amidst calls by the US to partially lift the ban. Notwithstanding the ban, Filipino workers continue to enter Iraq illegally to work in US military camps and for private American companies. There appears to be no consensus within the Macapagal-Arroyo government on banning Filipino workers going to Iraq as some officials recommend their partial deployment in the country in areas where their security could be guaranteed.<sup>41</sup>

The fallout in Philippine-US relations resulting from the withdrawal of Filipino troops in Iraq also forced the Macapagal-Arroyo government to re-examine its strategic alliance with the United States. Having been removed from the “coalition of the willing” and warned of serious repercussions in bilateral relations,<sup>42</sup> Philippine defense and security officials raised the need to review the country’s policy towards the US.<sup>43</sup> While reiterating its commitment in the fight against international terrorism – and stressing that the Philippines did not regret supporting the US’ invasion of Iraq<sup>44</sup> – the Macapagal-Arroyo government started to underscore its policy of continuing to assist the US in its Iraq campaign “within the capabilities” of the country. This signaled the importance of giving priority to the safety and welfare of overseas Filipino workers in Iraq in defining the extent of support the Philippine government would give to the US in the fight against terrorism abroad. The apparent silence of US officials on this policy has been interpreted by some quarters in the Philippines as an indication that Washington understands the dilemma faced by the Macapagal-Arroyo government, particularly in having to protect overseas Filipino workers

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<sup>38</sup> Marvin Sy, “RP, US vow stronger ties,” *The Philippine Star*, 10 August 2004.

<sup>39</sup> “GMA to review policy on Iraq,” *The Philippine Star*, 14 April 2004.

<sup>40</sup> Marvin Sy, “Albert insists no troop return to Iraq,” *The Philippine Star*, 13 August 2004.

<sup>41</sup> Marvin Sy, “DFA chief: ban on OFW deployment in Iraq stays,” *The Philippine Star*, 8 September 2004.

<sup>42</sup> Jose Katigbak, “US: RP no longer part of the coalition,” *The Philippine Star*, 6 August 2004 and “US warns of pullout repercussions,” *BusinessWorld Online*, 16 July 2004.

<sup>43</sup> Juliet Labog-Javellana and TJ Burgonio, “RP to review its US policy,” *Inquirer New Service with Agence France Presse*, 24 July 2004.

<sup>44</sup> Aurea Calica, “DFA chief: RP has no regrets about Iraq,” *The Philippine Star*, 19 September 2004.

in the Middle East. In fact, when Defense Secretary Donald Rumsfeld commented that the Philippines' weakness was "provocative," many politicians in the Philippines were quick to point out that the withdrawal of 51 Filipino troops was much smaller compared to 4,000 Filipinos still working in Iraq, which are part of the estimated 1.5 million overseas Filipino workers in the Middle East.

### *Philippines-China Relations: Opportunities for Expansion*

The strain in the relationship between Manila and Washington prompted for the former to explore opportunities for expansion of Philippine-China security relations as the Macapagal-Arroyo government began to play the "China card" while reassessing its ties with the US. This was primarily triggered by strong reactions from some politicians in the Philippine legislature to criticisms by American officials of Manila's decision to withdraw its humanitarian contingent in Iraq. Some of them called for re-examination of the country's foreign policy, which was seen as being too biased in favor of the Americans.<sup>45</sup> Playing the "China card", therefore, is anchored on the belief that it is in the best interest of the Philippines to pursue a more independent foreign policy and should not be dictated primarily by American security interests. During her visit to China in early September 2004, President Macapagal-Arroyo said that the PRC would play a key role in the Philippines economic and security interests in the future and it is in the national interest of the country to boost bilateral relations with Beijing. A deal was struck between the two countries for a joint seismic mapping of oil reserves in the Spratlys and an agreement to boost bilateral defense cooperation. Macapagal-Arroyo, however, was careful in playing the "China card" and stressed that expanding defense ties with Beijing did not mean that the Philippines was renouncing its mutual defense treaty with the US.<sup>46</sup> Even so, the US appears to be wary of new Philippine-China security relations coming as it did immediately after the withdrawal of Filipino troops from Iraq. US Charge d'Affairs Joseph Mussomeli reportedly warned Manila that its bilateral relations with Washington could face further erosion if there are additional setbacks in bilateral ties. In particular, the US is worried that a joint exploration agreement between China and the Philippines over the South China Sea would enhance the PRC's naval projection in the area more permanently.<sup>47</sup> During a visit to China by Defense Secretary Avelino Cruz in November, some retired military officials were quoted in the local press as saying that the US was not happy with the way the Philippine government is actively courting Beijing, and that Washington apparently did not see the trip of President Macapagal-Arroyo in September as simply wooing Chinese support for her 10-point government agenda.<sup>48</sup>

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<sup>45</sup> Carina Roncesvalles, "Senate panel to file motions vs strong policy bias towards US," BusinessWorld Online, 23 September 2004.

<sup>46</sup> "China to play key role in Philippines economic, security future," The Philippine Star, 7 September 2004.

<sup>47</sup> Sheldon W. Simon, "Philippines Withdraws from Iraq and JI Strikes Again," Comparative Connections, Pacific Forum CSIS, 3<sup>rd</sup> Quarter 2004 US-Southeast Asia Relations, from [http://www.csis.org/pacfor/cc/0403Qus\\_asean.html](http://www.csis.org/pacfor/cc/0403Qus_asean.html).

<sup>48</sup> Christian Esguerra, "RP courting more US displeasure with China visit," Inquirer News Service, 8 November 2004.

In the meantime, Foreign Affairs Secretary Alberto Romulo stressed that the agreement signed between the Philippines and China on joint seismic mapping in the Spratlys was a framework for conducting cooperative scientific research by the Philippine National Oil Company and the China National Offshore Oil Company in limited areas of the South China Sea. He also pointed out that any agreement on further cooperation would still be subject to negotiations and would have to conform to existing regional and international agreements such as the UNCLOS and the Declaration on the Conduct of Parties in the South China Sea signed between ASEAN and China in Phnom Penh in 2002. The Philippine government expects that the agreement with China would be an initial step towards future discussions among claimant states on provisional cooperative arrangements in the area.<sup>49</sup> (Prior to the agreement, the Philippines in July called on China's oil company, Petro China, to desist from provocative unilateral oil and gas explorations in the southern part of the South China Sea close to the Spratlys.<sup>50</sup>) As expected, Vietnam criticized the agreement signed between Manila and Beijing as deviating from the 2002 Phnom Penh Declaration and expressed concern that it was made without consulting other parties in the South China Sea dispute.<sup>51</sup> In an apparent effort to appease Vietnam, the Philippine National Oil Company announced that the US\$7.5 million venture with China is open to a third partner and that efforts are being made to get in touch with Petro Vietnam to be part of the joint seismic study.<sup>52</sup> However, Vietnam continued to express "deep concern" over the joint agreement between the oil companies of the Philippines and China during a visit by Chinese Premier Wen Jiabao in Hanoi in October 2004.

In April 2004, the Philippines and China expressed concern over tensions created by Vietnam's first tourist boat that ferried passengers to the disputed Spratlys islands, which was also seen by Manila and Beijing as going against the 2002 Phnom Penh Declaration.<sup>53</sup> In August 2004, Vietnam's transportation ministry announced that the country's defense ministry is building an airport in the Spratlys, which is expected to be finished by end of 2004 and allow for the start of commercial flights to the islands. The airport would be capable of handling small aircraft, such as the twin-engine turboprop ATR 72s. Vietnam Airlines, which has a fleet of eight ATRs, is expected to offer commercial tourist flights to the Spratlys.<sup>54</sup>

## **Conclusion**

Based on the foregoing discussion, it is clear that the security challenges faced by the Philippines is still dominated by internal security threats. However, the spillover effects of the external security environment – in particular the war against international terrorism led

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<sup>49</sup> "RP-China marine seismic deal in South China Sea constitutional: DFA," *The Philippine Star*, 7 September 2004.

<sup>50</sup> "RP asks China to stop provocative actions in Spratlys," *The Philippine Star*, 11 July 2004.

<sup>51</sup> Agence France Presse, "Vietnam hits Philippines, China over Spratly oil plans," *Inquirer News Service Breaking News*, 10 September 2004.

<sup>52</sup> Abigail Ho, "Philippine-China oil search open to new partner," *Inquirer News Service*, 17 September 2004.

<sup>53</sup> Jerome Aning, "60 Viet tourists' visit to Spratlys raises furor," *Inquirer News Service*, 20 April 2004.

<sup>54</sup> "Vietnam mulling to begin flights to Spratly islands," *BusinessWorld Online*, 25 August 2004.

by the United States – have also shaped both domestic and foreign security policies of the state. The revived bilateral security alliance between Manila and Washington was severely tested in July 2004 following the decision of the Philippine government to withdraw its humanitarian contingent in Iraq in the aftermath of the kidnapping of a Filipino worker. The incident proved to be provocative for the US as it exposed the internal weaknesses of the Philippines as an ally in the fight against international terrorism. For its part, the Macapagal-Arroyo government was forced to re-examine its commitment to the US in supporting the war in Iraq even as it had to balance between ensuring the welfare of Filipino workers abroad and its credibility as an ally. Eventually, both countries must accept the reality of the Philippines' internal vulnerabilities and its limited capabilities in supporting the American-led war in Iraq while at the same time recognizing its strategic importance in the region, which ostensibly is the second front in the war against international terrorism.