

Lowy Institute Paper 17

Mindanao

A GAMBLE WORTH TAKING

Malcolm Cook

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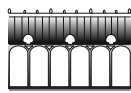
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LONGUEVILLE
MEDIA

PO Box 102 Double Bay New South Wales 2028 Australia
www.longmedia.com.au
info@longmedia.com.au
Tel. (+ 61 2) 9362 8441

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Malcolm Cook is Program Director, Asia and the Pacific at the Lowy Institute for International Policy. He holds a PhD in international relations from the Australian National University, an MA in international relations from the International University of Japan, and an honours degree from McGill University in Canada. Before moving to Australia in 2000, Malcolm lived and worked in the Philippines, South Korea and Japan and spent much time in Singapore and Malaysia.

Kit Collier has spent more than two decades studying the Philippines and its entrenched internal security problems. He is the author of two International Crisis Group reports on terrorism and insurgency in the Philippines, and acts as a consultant to a number of Australian Government departments and private institutions such as Human Rights Watch. Kit has a doctorate from the University of Hawaii and an Honours degree from the School of Oriental and African Studies (SOAS) at the University of London. He is currently a Visiting Fellow at the Australian National University.



Executive summary

All the major terrorist attacks in Southeast Asia since September 11th, including both Bali bombings, have been linked to the southern Philippines island of Mindanao and the Jemaah Islamiyah operatives who have been harboured there. In the last four years, the Philippines has suffered more deaths from Jemaah Islamiyah-inspired attacks than any other country, including Indonesia. American diplomats in Manila have referred to Mindanao darkly as the ‘new Afghanistan’.

Muslim Mindanao’s decades-old insurgency with its numerous ‘no go zones’ has attracted regional terrorists in search of safe havens beyond state control. The immersion of these parasitic outsiders in the insurgency in Mindanao in turn has attracted unprecedented foreign interest by transforming the insurgency in Mindanao into a national security concern for other countries. Foreign countries, particularly Australia, the United States and Malaysia are cooperating with the Philippine state in closing down these terrorist safe havens in the short run and in supporting the stuttering peace process with the main Moro insurgent group, the Moro Islamic Liberation Front (MILF), to help ensure they remain closed. The Philippine state has welcomed foreign engagement by inviting troops in, opening up the peace process to foreign involvement and seeking closer diplomatic and military ties including status of forces agreements with engaged countries like Australia.

Foreign interest in the Mindanao conflict is primarily focussed on permanently eliminating the terrorist safe havens with the peace process

seen as an uncertain, long-term means to this end. The Philippine state's primary interest and that of the moderates in the MILF is with reaching, finally, a peace deal to end the insurgency, with the imported terrorist element seen as a complicating factor that needs to be addressed.

The Mindanao insurgency's elevation to a front-line in the war on terror creates a unique window of opportunity for the peace process and generates some added risks. Sustained and generous foreign support for the peace process is needed because a successful peace deal is the best guarantee that the safe havens will remain closed. A failed peace process though could further radicalise and splinter the local insurgency making it an even more receptive host for regional terrorists. The Philippine state has been talking up the prospects for a deal soon. This is unlikely and history proves that an incomplete deal is little better than no deal at all.

Hopes for the present peace process, the fourth in four decades, face daunting precedents. All previous attempts to broker a political settlement have failed at the stage of implementation and the main factors that led to these failures still exist. This Lowy Institute Paper focuses on the prospects for the peace process and how the unprecedented foreign interest in Mindanao can enhance them. Foreign support for the peace process is a necessary but insufficient condition for peace. It is crucial to recognise the limits of such engagement and the scope for unintended adverse outcomes.

The forces driving the insurgency in Muslim Mindanao are complex. They range from clan ties and the banal greed of kidnap-for-ransom syndicates like the Abu Sayyaf Group and the Pentagon Gang, to the legitimate grievances of marginalised Moro peasants to the apocalyptic visions of jihadist ideologues. In practice, every antagonist is motivated by a unique mix of greed, grievance and ideology: Jemaah Islamiyah operatives run guns for profit and rob infidels with religious sanction. Isolating these ingredients, so explosive in combination, is the key to stemming Mindanao's escalating spiral of strife.

Strongmen, their armed retainers, and the military are the main manifestations of the Philippine state in Muslim Mindanao – and yet they act in symbiosis with their putative rebel enemies. Individual

clans can be simultaneously represented in local government and in the insurgency. Images of the conflict based on the clash of two clearly defined “sides” fail to grasp this essential reality. Policies that do not take it into account will founder as will those that conflate terrorists and insurgents.

Similarly, conventional analyses that assume that the conflict is dysfunctional for local actors (“the senselessness of war”) overlook the adaptive structures that are perpetuating strife at ground level. These are rarely addressed in formal diplomatic negotiations – which focus on grand programmatic issues – yet they are central to protagonists' everyday motives. The elusive trick for the peace process will be to quell the Moro insurgency within the context of the internecine inter-clan feuds that are the basis of Mindanao politics. The peace process cannot change Mindanao's political culture, but it can minimise its spillover into violent insurgency and support for foreign terrorists.

The internal players have mixed motives in approaching the peace talks, while foreign supporters' motives are far from uniform either. Neither the central government nor the MILF can guarantee that they will be able to deliver on their side of any peace plan even if agreement is reached. And whilst the MILF is the major insurgent force it is not the sole one. Others like the Abu Sayyaf Group have little or no interest in peace and are the most closely aligned with resident regional terrorists.

This paper examines the motivations of the main participants in the Mindanao conflict in order to contribute to the development by outside countries of effective responses. It recommends carefully coordinated action by foreign supporters. It argues that this will by no means guarantee a successful outcome — that is, no more safe havens and a workable, well-implemented peace deal — but that the gamble is worth taking.

Policy recommendations

Foreign support for the peace process should focus on four elements that can maximise the chances of bringing sustainable peace to Mindanao and curtailing its links to regional terrorism. These elements, however,

should be treated as a package deal. Counter-terrorism policies aimed at the safe havens and involving military-to-military cooperation must be coordinated with and not override diplomatic and developmental support for the peace process. More guns, money and diplomacy are required.

Strengthening the peace process

Local peace monitoring teams and the small international teams now in place in Mindanao monitoring the ceasefire should be better funded and expanded. At the same time, permanent peace panels on both sides with fixed, long-term participants are a key missing component of continuity and trust-building between the negotiating sides. Australia should allocate funding to the cost-effective local monitoring teams and offer to fund the permanent personnel on the peace panels. Foreign support to integrate the peace process with ongoing discussions for constitutional reform may also be needed to ensure these two processes do not work at cross-purposes.

MILF transformation

A very important and delicate element of the peace process is to secure the transformation of the MILF into an unarmed political movement with a realistic chance of sustaining a Moro Islamic voice in national politics. Foreign support can only play a secondary role by strongly counselling the Philippine state to ensure that any peace deal offers a credible amount of Moro autonomy. Successful Islamic parties from Southeast Asia and beyond should be encouraged to send representatives to Mindanao to help the Front develop into a functioning political party.

Development aid

Poverty is a significant factor in the resilience of the Moro insurgency and concrete signs of economic improvement are required to ensure sustained Moro support for any peace deal. Much development aid was promised in conjunction with earlier peace deals and the failure to deliver it in a timely manner undermined them. Development aid in

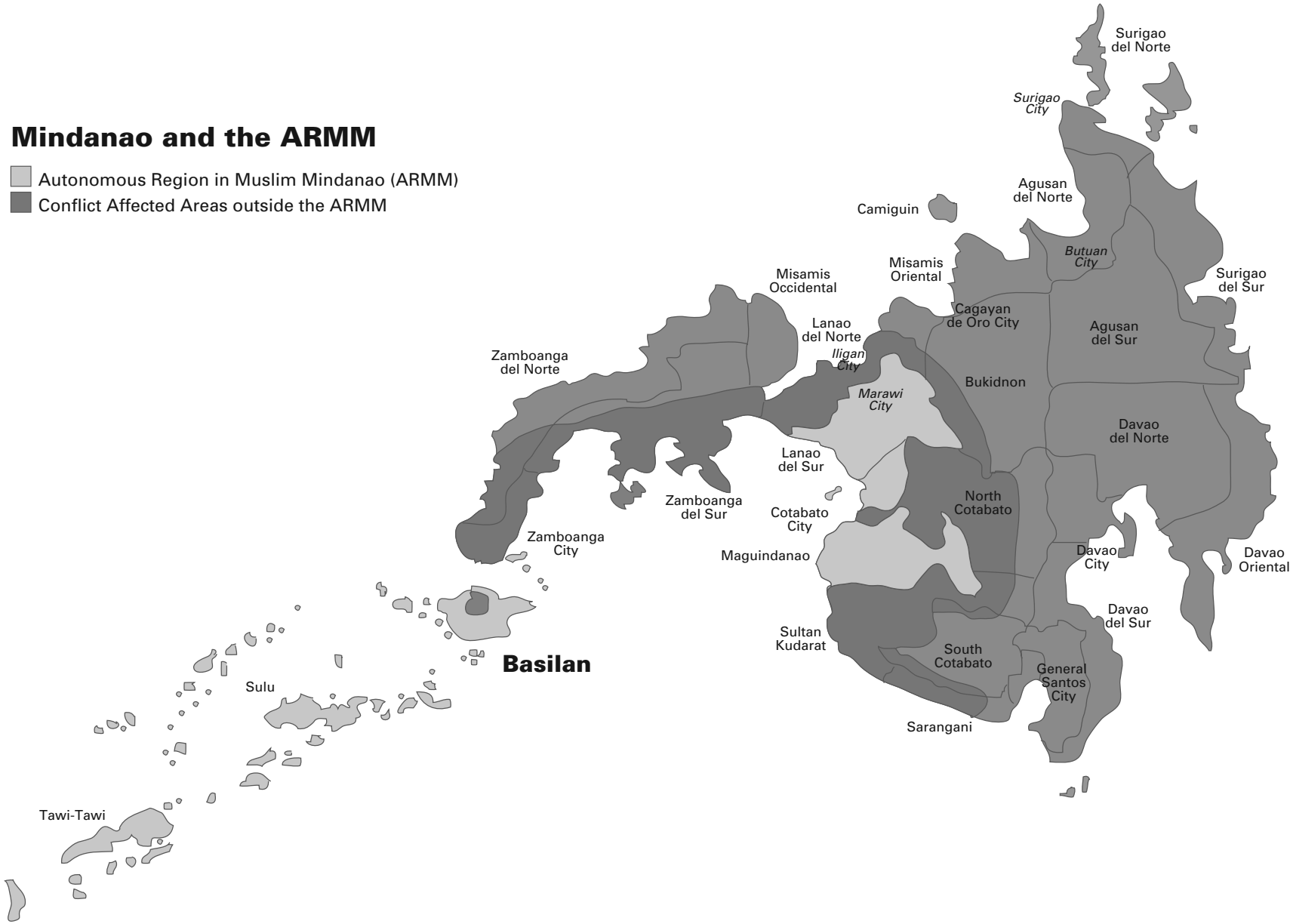
support of the peace process should be quick in coming and focussed on smaller-scale infrastructure programs that have short gestation periods and deliver visible improvements. While the aid effort should focus on the Moro community in conflict-affected areas, it cannot exclude Christian areas of Mindanao which have the political power to scupper any peace deal. The United States and Japan are the foreign supporters with the aid resources to make a significant difference.

Military modernisation

Counter-terrorism capability-building with the Armed Forces of the Philippines has expanded rapidly with the immersion of foreign terrorists in the local insurgency. Developing local special forces' capabilities to close down their safe havens can assist the peace process by weakening the links between imported terrorists and local insurgents opposed to peace. Foreign support for the military, however, should extend beyond this to changing the face of the armed forces in Muslim Mindanao. This can be done by minimising the role of local militias and in the longer run by helping shift the armed forces from their present local garrison, internally-focussed posture to a more professionalised, externally oriented one.

Mindanao and the ARMM

- Autonomous Region in Muslim Mindanao (ARMM)
- Conflict Affected Areas outside the ARMM



Contents

Executive summary	vii		
Boxes, tables and figures	xiv		
Acknowledgments	xv		
List of acronyms	xvi		
Chapter 1: Deep roots	1		
History matters			
The MILF track			
Looking forward			
Chapter 2: The MILF	11		
Origins and the Afghan connection			
Jemaah Islamiyah comes to Mindanao			
Approach to the peace process			
Pitfalls for the peace process			
Looking forward			
Chapter 3: The Philippine state	27		
The weak state			
Mindanao politics			
Moro autonomy problems			
Mindanao and national politics			
The Armed Forces of the Philippines (AFP)			
		The Mindanao arena	
		Transformation problems	
		Transformation denied	
		Tainted public image	
		Looking forward	
		Chapter 4: International engagement	49
		The United States	
		Malaysia	
		The Organization of the Islamic Conference	
		Japan	
		Australia	
		Policy recommendations	
		Summing up	
		Notes	67
		Bibliography	77
		Lowy Institute Papers: other titles in the series	84

Boxes, tables and figures

Boxes

1. The MNLF track
2. Clan power (1)
3. Clan power (2)
4. Mindanao's promotion ladder

Tables

- 1.1 Poverty incidence
- 2.1 Moro Mindanao's ethnic groups
- 3.1 Military expenditures

Figures and charts

- 3.1 Philippines tax revenue
- 4.1 American aid budget

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List of acronyms

AFP	Armed Forces of the Philippines
ARMM	Autonomous Region in Muslim Mindanao
CAFGU	Civilian Armed Forces Geographical Units
FMF	Foreign Military Funding
GAM	Gerakan Aceh Merdeka (Free Aceh Movement)
IMET	International Military Education and Training
MILF	Moro Islamic Liberation Front
MNLF	Moro National Liberation Front
SPCPD	Southern Philippines Council for Peace and Development
SZOPAD	Special Zone of Peace and Development

Chapter 1

Deep roots

The long running insurgency by the Muslims of Mindanao and the Sulu archipelago (now simply termed Mindanao) was for decades treated largely as an internal affair of the Philippines. Now with the conflict-affected areas of Mindanao being used by foreign terrorists as safe havens, Mindanao has become a pressing national security concern for other Southeast Asian countries, Australia and the United States. The Philippines represents the ultimate crusader nation in Southeast Asia for foreign *jihadis* due to the long running Islamic insurgency and the failure to bring Filipino Muslims into the national fold.¹ Mindanao has attracted foreign terrorists as it offers the largest areas beyond state control in Southeast Asia.² The immersion of foreign terrorists in the local insurgency took place roughly at the same time as the insurgency itself became more radicalised, diffuse, and the Moro Islamic Liberation Front (MILF) became the main insurgent group.

The elevation of Mindanao into a front in the global war on terror guarantees high-level foreign interest in the insurgency and its latest peace process. Millions of dollars of foreign aid are already being lined up in expectation of a peace deal. However, for this interest to best support the search for peace, we need to understand the nature of the local insurgency and the mixed motives and capabilities of the

negotiating parties and of the different foreign governments involved. Recent talk of a comprehensive peace deal being around the corner creates a hopeful image but history and present circumstances suggest that a hefty dose of caution is required. The local roots of the Moro insurgency are deep and extremely difficult to address.

Foreign intervention in the insurgency that does not take this into consideration runs a serious risk of aggravating the situation. Views, often expressed in Australia, that involvement in Mindanao is primarily an extension of counter-terrorism concerns with Indonesia are one example of this pitfall.³ Another is the strong push for a quick peace deal despite the insurgency’s deep roots and the lack of definitive results from the peace process now a decade old. Both of these examples are historically uninformed and risk biasing foreign engagement in Mindanao against the achievement of a sustainable peace deal. Understanding the history of the local insurgency and the main participants in the present peace process is crucial to addressing Mindanao’s facilitating role in regional terrorism.

The remainder of this chapter will provide a brief overview of the historical roots of the insurgency and the numerous attempts to end it peacefully. Chapter two will analyse the MILF’s history, its links to other insurgent and terrorist groups, and its interests in the present peace process. Chapter three will look at interests of the Philippine state in the peace process with a special focus on the Armed Forces of the Philippines (AFP). Chapter four argues that more external engagement, more directly focussed on the decade-old peace process between the Philippine state and the MILF, is needed. Yet, as it points out, deeper engagement carries high risks. Engagement in the last peace process cost the foreign governments involved millions of dollars but did not deliver a sustainable political solution. This chapter provides policy recommendations as to how best marry counter-terrorism concerns with support for the peace process.

History matters

The insurgency draws its ideological strength from the centuries-old resistance by members of the predominantly Muslim Malay tribes of the

southern Philippines, known as Moros (derived from the Spanish word for Moors), against foreign (Christian) colonisers. While this rhetoric may not live up to critical historical examination, it is nevertheless an effective rallying call. In the view of the Moro insurgents the Spanish never effectively colonised Moro Mindanao and the 1898 treaty between a defeated Spain and a triumphant America illegally transferred sovereignty over Mindanao to the Americans who then transferred it to ‘imperial Manila’ when the Philippines gained independence.⁴

Popular support for insurgent groups and their rhetoric of oppression is bolstered by the secular demographic, political and economic decline of the Moro population. Muslims now only make up less than a fifth of Mindanao’s population, while Christians account for three-quarters. Moros form a minority in every province of Mindanao outside of the Autonomous Region in Muslim Mindanao (ARMM) — a self-governing area established in 1990, and expanded in 2001 — where they account for over 90 % of the population.⁵ The five provinces in the ARMM have the lowest life expectancies with Tawi-Tawi only registering an average life expectancy of 51.2 years in 2003.⁶ According to the latest census taken in 2000, four of the five ARMM provinces were amongst the seven poorest of the country’s 79 provinces. Moros occupy the poorest parts of the Philippines and from 1997 to 2000 grew poorer.

Table 1.1: Poverty incidence

Region	1997	2000	2003
Sulu	87.5 %	92.0 %	88.8 %
Tawi-Tawi	52.1 %	75.3 %	69.9 %
Maguindanao	24.0 %	36.2 %	55.8 %
Lanao del Sur	40.8 %	48.1 %	38.8 %
Metro Manila	3.5 %	7.6 %	1.2 %
Philippines	25.1 %	5.6 %	4.3 %

Source: Philippine Human Development Report 2005

The modern stage of the insurgency only emerged fully after 1972 when the autocratic President Marcos used unrest in the south as a pretext

for the declaration of martial law. The war against Moro insurgents that he launched cost over 100,000 lives and displaced millions. Since then, every decade has produced another effort to secure peace between Manila and the main Moro insurgent group of the time. None has ended the insurgency. Striking peace deals has not been the main problem: implementing them has. The deep roots of the Moro insurgency mean that peace will be slow in coming and will require extensive economic and political change and foreign support.

Box 1

The MNLF track⁷

The first three attempts to secure peace were negotiated between the central government and the Moro National Liberation Front (the now-diminished predecessor of the MILF) and mediated by the Organization of the Islamic Conference. In each case, the MNLF's central command headed by its founder Nur Misuari soon rejected the deals it had signed, blaming the national government for a lack of good faith implementation.⁸ In each case, the MNLF accused the central government of unilaterally changing or ignoring the terms of the deal when it came to implementation.

1976 Tripoli Agreement

The first deal was struck between the MNLF and the Marcos regime in Tripoli, Libya in 1976 and helped end the most violent phase of the modern insurgency. In 1976, Manila agreed to offer limited regional autonomy to those Moro areas of Mindanao which agreed by referendum to join. In return, the Front dropped its claim for independence. The central command then rejected the deal, however, and refused to participate in the referendum to determine the scope of the new autonomous region.

In 1977 the Organization of the Islamic Conference granted the MNLF observer status in recognition of the problems with

implementation but refused the MNLF's call for sanctions on the Philippines. The Organization still recognises the MNLF as the 'sole official voice' of the Moro community.

1987 Jeddah Accord

In parallel with a larger process of constitutional reform, the new Aquino administration undertook further peace negotiations with the MNLF. Both this Front and the breakaway MILF had expressed support for Aquino's 1986 'people power'. In January 1987 at the Organization of the Islamic Conference headquarters in Saudi Arabia, the government and the MNLF signed the Jeddah Accord aimed at reviving and strengthening the Tripoli Agreement.

This Accord facilitated the formation of the Autonomous Region in Muslim Mindanao (ARMM), although the Front again refused to support the 1989 referendum held to determine its scope. Of the thirteen provinces canvassed, only four — Lanao del Sur, Maguindanao, Sulu and Tawi-Tawi — voted to join.⁹

1996 Jakarta Agreement

In 1996, the MNLF and the Ramos administration signed a third peace deal, again aimed at fulfilling the terms of 1976 Tripoli Agreement and expanding and deepening the ARMM. The Front recognised the ARMM and supported the August 2001 referendum to expand its area of jurisdiction. But only Basilan province (excluding the capital, Isabela City) and Marawi City agreed to join the original four provinces. By then Misuari had already been replaced as the head of the MNLF partially due to frustrations with peace deal implementation. In November 2001, after an attack on his Jolo bailiwick, Misuari and his supporters officially rejected the 1996 deal and rejoined the insurgency.

The MILF track

The present peace process with the MILF reflects the shift in power from the MNLF and it is the first one involving the MILF. Five features of the present process differentiate it from the 1992–1996 process while one common weakness suggests that, like its predecessors, the present process is unlikely to deliver a sustainable political solution. It has served as an effective conflict limitation device but whether it can be transformed into an effective conflict resolution one is still far from clear.

The first difference is the length of the negotiation period. Peace talks between the MILF central command and the Philippine executive have been going on for over a decade through three different presidents and two leaders of the MILF. The three previous attempts at negotiated peace lasted much shorter spans of time and did not see as many deadlines pass without result. The first informal talks in the peace process with the MILF took place in 1996 under President Ramos during the final stages of the negotiations for the Jakarta Agreement with the MNLF. In January 1997, the first — of many — ceasefires was signed. Negotiations on the first substantial agenda item did not take place until 2004.¹⁰ While government negotiators publicly predicted a complete deal by September 2006, MILF negotiators were more circumspect suggesting that 2006 is ‘not a good year’ for a final deal. The September 6–7 talks failed to move the process forward and led to a series of warnings from the MILF negotiators that the peace process is at serious risk of failure.¹¹

The second difference goes a long way to explaining the length and stuttering nature of the present negotiations. The present peace process has been dogged by higher levels of violence both from failed attempts at gaining a decisive military victory and Jemaah Islamiyah-inspired bombing campaigns. The prevalence of violence and the resulting breakdowns in talks underline the mixed motives and internal struggles that affect both negotiating sides.

Particularly in the last six years, Mindanao and the Philippines as a whole has been the victim of a series of terrorist bombings emanating in part from the foreign terrorists sheltering under the cover of the

insurgency and their local protectors. These bombings have hardened attitudes in the Philippines against the Moro insurgency and encouraged hard-liners in the government and security forces to push for a ‘final military victory.’¹²

In 2000 during the Estrada administration and in 2003 during the first Macapagal–Arroyo administration, the government attempted to defeat the MILF militarily leading to hundreds of thousands of displaced civilians. These two episodes seriously delayed the peace talks, deepened distrust on both sides of the negotiating table and added to the affected Moro community’s sense of alienation. Another terrorist atrocity like the 2004 sinking of a super ferry that killed at least 116 people or another attempt to defeat the MILF militarily and their serious challenges to the peace process cannot be ruled out.

Third, the present peace process is the most elaborate with the largest number of supporting mechanisms and agreements. The peace process is buttressed by a pre-deal development agenda led by the MILF-organised Bangsamoro Development Agency that receives government and official development aid funding for development programs in conflict-affected areas. The 1997 agreement for the general cessation of hostilities has been bolstered by the establishment of local and Malaysian-led international monitoring teams to investigate breaches of this agreement and the causes of frequent flare-ups.

In 2004, negotiators on both sides enacted a 2002 agreement to set up the Ad-Hoc Joint Action Group against criminal elements in which the MILF central command and the Philippine state agreed to work together in pursuit of criminal elements including foreign terrorists. This is the element of the peace process that most directly addresses current counter-terrorism concerns and the potential to separate foreign terrorists from the local insurgency. In 2004, an armed forces’ bombing in an MILF-controlled area aimed at the leader of a smaller criminal gang with terrorist links, the Pentagon Gang, was only made possible through this action group. It has also facilitated in certain cases the pursuit of felons seeking safety in MILF-controlled areas such as the turn over of the rapist and murderer Tony Peralta by a local MILF commander to police in Sarangani in July 2006.¹³

Fourth, due largely to the immersion of foreign terrorists in the Moro insurgency, the present peace process has garnered the most intense interest from foreign governments and international institutions. Governments from Libya and Malaysia to Australia, the United States and Japan are all deeply involved and official development aid and foreign military cooperation with the Armed Forces of the Philippines are gravitating towards Mindanao and the insurgency. This interest may aid significantly in elements of any peace deal implementation. However, the large number of countries and organisations involved and their varied reasons for involvement have added yet another layer of complexity to an already complex situation. Chapter four will deal in more detail with these foreign interests and their contributions to the peace process.

The final difference may be the most telling. Each of the peace agreements signed during the MNLF track was an attempt to deliver on the promise of the original Tripoli Agreement and each one involved the MNLF. The present peace process faces the much more daunting challenge of having to integrate any peace deal struck on the basis of the yet to be fully-implemented 1996 deal with the ARMM regional government.¹⁴ Chief government negotiator Silvestre Afable has already stated that the 1996 deal with the MNLF will have to be amended before any feasible deal with the MILF can be struck.¹⁵

Integration with the 1996 deal will be particularly difficult as the expanded ARMM covers all of the areas that have expressed an interest in Moro self-government so it is unlikely that the territorial scope of Moro self-government can be expanded significantly. The MILF negotiators have also made it clear that they are not seeking to be incorporated into the 1996 deal, which they reject as inadequate. Rather, they are seeking a much more comprehensive peace deal that provides a higher level of self-government over a larger area. The latest round of formal talks in September 2006 broke down over the issue of additional territory with the government offering to consider 613 Muslim-majority villages but the MILF is pushing for more than 1000 villages.¹⁶ The government, consistent with its approach to all four peace processes, is also insisting that the inclusion of any new villages must be done in accordance with the Philippine Constitution.

Navigating this final difference and arriving at a sustainable political solution that will bring the conflict-ridden areas of Mindanao back under control is being made more difficult by a lesson not learnt from previous peace processes. As with the 1992–1996 process, publicly documented peace talks are only taking place between the MILF central command and the Philippine executive. Other key players in any eventual political solution, including Mindanao’s Christian power brokers, Lumad leaders, the legislative bodies of the Philippine state, the elected (non-MNLF and non-MILF) leaders of the ARMM and the MNLF itself are not involved.

Each of these actors has the potential to scupper a deal they have little invested in. With persistent talk of a peace deal around the corner, excluded groups are increasingly raising concerns about the peace process and demanding to be included. Including them would complicate and extend peace talks. Simply presenting them with a *fait accompli*, as happened after the signing of the Jakarta Agreement, will greatly complicate implementation and increase political opposition to the deal in the Moro community, Mindanao and the Philippines as a whole. Ways of addressing their concerns within the peace process or through more general means like constitutional reform need to be found.

Looking forward

Next, it is necessary to look at the key insurgent group, the MILF and its interests in the peace process. The rise of the MILF over the last two decades has been central to the integration of the Moro insurgency with regional and global terrorism. Understanding its origins, structure and interests is crucial to understanding the risks and opportunities involved in deeper international engagement in Mindanao.

Chapter 2

The MILF

Since the mid-1990s the Moro Islamic Liberation Front (MILF) has become the dominant insurgent group in Mindanao. It is Southeast Asia's most formidable armed separatist organisation, with 10,000 to 15,000 men under arms at any time, and tens of thousands more part-time reservists on call. Its rise to pre-eminence over the last 10–15 years is intimately linked with the immersion of foreign terrorists in the Mindanao insurgency and with the splintering of the MNLF.

For any peace deal to work, the moderates in the MILF must be convinced to transform the Front from an insurgent movement fighting the state into a regional political one working within the Philippine state. Careful counter-terrorism activities against the foreign terrorists and the more militant insurgents supporting them and strong foreign support of the peace process can work in parallel to facilitate this necessary transformation.

However, the MILF, like the MNLF, is a diffuse organisation lacking complete central control and with important tribal divisions. The MILF also is not the only local insurgent group with links to regional terrorism. Ties between the smaller and more militant Abu Sayyaf Group and foreign terrorists in Mindanao are growing at the same time that the MILF's central command and its peace process negotiators are

distancing themselves from these same links.¹⁷ The organisational nature of the MILF, close personal ties between MILF local commanders and other insurgent groups and the changing nature of the foreign terrorist presence in Mindanao all complicate the MILF's avowed commitment to peace.

Origins and the Afghan connection

The Moro National Liberation Front, which spawned the MILF, was a loose, inter-tribal coalition galvanised by the 1971 local elections in Mindanao in which non-Moro politicians gained power in Moro areas and by President Marcos's declaration of martial law in September 1972. Until late 1975, this Front received officially-sanctioned logistical support through Sabah, Malaysia, with the aid of State Premier Tun Mustapha Harun. Mustapha traced his own roots to the southern Philippines and was angered by Manila's territorial claims on eastern Malaysia.¹⁸ Malaysia's central government also facilitated the training of about 450 top Moro National Liberation Front cadres before the war. Libya's Colonel Muammar Khadaffy was the Front's principal donor. Moro separatists continued to look beyond the immediate region for financial and diplomatic assistance throughout the 1970s and 1980s.¹⁹

Salamat Hashim, the founder of the MILF, led these diplomatic efforts as the Moro National Liberation Front's head of foreign affairs and participated in the talks that led to the 1976 Tripoli Agreement. However, he felt increasingly stifled by the Moro National Liberation Front's founder Nur Misuari. At the end of 1977, Salamat delivered an 'instrument of takeover' to the Organization of the Islamic Conference, declaring himself head of the 'New MNLF'. He tried to garner support by portraying Misuari as an extremist for his 'communist' connections and his backsliding on the Tripoli peace deal. Salamat's submission for a takeover was not accepted, however.

Misuari is secular-educated and has always stressed Moro nationalism above Islam. In contrast, Salamat graduated from the Islamic world's oldest and most prestigious university, Al-Azhar in Cairo, and was a religious scholar (*ustadz*). He enjoyed a ready-made web of personal ties

in the Middle East. However, it was not until 1984, following the Iranian revolution and Soviet invasion of Afghanistan, that Salamat underscored his Islamic credentials by renaming the 'New MNLF' the MILF.

Table 2.1: Moro Mindanao's major ethnic groups

Province	Population, households	Main Moro ethnic groups	Population size	Share of population
Lanao del Sur	668,690	Maranao	608,902	91.0 %
Maguindanao	800,369	Maguindanaon	508,302	63.5 %
-- --		Iranon	116,283	14.5 %
Sulu	619,550	Tausug	528,299	85.3 %
Tawi-Tawi	322,066	Sama	164,357	51.0 %
-- --		Tausug	114,745	35.6 %
Basilan	332,579	Yakan	137,545	41.4 %
-- --		Tausug	76,306	22.9 %
-- --		Sama	33,511	10.1 %

Source: National Statistics Office (2000)

In reality, however, Salamat's split was less ideological than tribal, and personal. He broke away from the Moro National Liberation Front primarily because he and his fellow ethnic Maguindanaon and Maranao felt marginalised by Misuari's Tausug and Sama loyalists. His 'New MNLF' was built on the old Front's Kutawato Regional Committee, militarily the most powerful of its regional organisations on mainland

Mindanao. Led by Al-Haj Murad, a battle-hardened pragmatist with strong popular support among the Maguindanaon, the Regional Committee and its Maranao allies in the 'New MNLF' manoeuvred for their own Middle Eastern support by sending volunteers to training camps on the Afghan border. Salamat based himself in Pakistan from 1980–1987 and developed intimate ties with wealthy sponsors, especially within the Saudi ministries.²⁰

Building on personal relationships formed at Al-Azhar with Afghan *mujahidin* commanders Abdul Rasul Sayyaf and Burhanuddin Rabbani, Salamat presided over the dispatch of up to 500 Moro trainees to the Afghan border. Relatively few saw actual combat in Afghanistan. However, their return to Mindanao lent fresh impetus to the MILF. Afghan veterans like Benjie Midtimbang (until recently head of the MILF's ceasefire committee) transferred their skills to a new generation of fighters numbering in the tens of thousands.

There were no training camps inside Afghanistan during the Soviet occupation. Until the early 1990s, the most important camp for Southeast Asian fighters was Abdul Rasul Sayyaf's Camp Saddah in Parachinar, Pakistan. (The Abu Sayyaf Group derives its name from the camp's commander.) This is where most of Jemaah Islamiyah's first-echelon leadership acquired their military know-how. Bali bombers Muchlas, Imam Samudra, Mubarak and Dul Matin, as well as top commanders Hambali and Zulkarnaen, all gained their spurs there. In 1993, following the Soviet withdrawal, Sayyaf shifted training to a new site at Torkham in Afghanistan.

Indonesians and Moros trained side-by-side at Saddah and Torkham as members of the same *qabilah*, or Southeast Asian 'tribe', though Indonesians were usually given more senior positions. Two Moro graduates of Camp Saddah's class of 1986, Solahuddin and Habib, stayed on to become trainers themselves at Torkham. There they grew close to an Indonesian instructor, Fathur Rahman al-Ghozi. Al-Ghozi drew on these personal connections several years later when Jemaah Islamiyah's leaders decided to move its training operations to Mindanao.

Jemaah Islamiyah comes to Mindanao

The move to Mindanao was prompted by growing instability in Afghanistan as mujahidin factions struggled for power, and Gulf patrons reduced their funding in the wake of Soviet defeat. Training in Mindanao was cheaper and more convenient for Jemaah Islamiyah. Once again, Salamat Hashim's personal ties with Jemaah Islamiyah's co-founder Abdullah Sungkar and military commander Zulkarnaen facilitated the arrangement. Salamat was indebted to Jemaah Islamiyah for the training its men had provided MILF cadres in the Afghan camps. This obligation deepened during their first two years in Mindanao from October 1994 when the focus was on upgrading MILF skills. From the end of 1996, however, Jemaah Islamiyah drew on this established local goodwill to send its own prime recruits for training in Mindanao.

Jemaah Islamiyah's Mindanao program centered on Camp Hudaibiyah, an outpost in the upper reaches of the MILF's main Camp Abu Bakar, near the provincial boundaries of Maguindanao and Lanao del Sur. Al-Ghozi arrived for the first time in December 1996 and a steady stream of trainees from Indonesia, Malaysia and Singapore followed. By September 1998, a fully-fledged military academy modelled on Camp Saddah was in operation. The first class of this Islamic military academy, which graduated in April 2000, included several operatives who would play a key role in weaving the Mindanao conflict more tightly into their own vision for a Southeast Asian jihad.

The first sign of this was the bombing of the Philippine ambassador's residence in Jakarta in August 2000. Hambali, the link man between Jemaah Islamiyah and Al-Qaeda, ordered this action to express solidarity with the MILF and gratitude for its training facilities. It was carried out only three weeks after the Armed Forces of the Philippines (AFP) had captured the MILF's main camp, Camp Abu Bakar. Al-Ghozi led the operation, aided by several future Bali bombers, but Jemaah Islamiyah's existence — and, even more so, its close Philippine connections — remained unknown. Al-Ghozi's second terror strike, the coordinated 30 December 2000 bombings in Manila, which killed 22, was similarly misunderstood as being somehow related to the constitutional crisis

leading up to President Joseph Estrada's downfall.

Only after the September 11th attacks did Jemaah Islamiyah and its ties with the MILF and the Abu Sayyaf Group in Mindanao begin coming into focus. Al-Ghozi's third terror plot targeting western interests in Singapore, using explosives sourced in the Philippines, was foiled thanks to effective police work in the city-state and intelligence gained in Operation Enduring Freedom in Afghanistan. But it was still six months before the first Bali bombs, and the full realisation of the extent of the Jemaah Islamiyah threat to Southeast Asia, that al-Ghozi's Camp Hudaibiyah trainees began sowing their own trail of destruction.

Leading this effort was a man named Ahmad Faisal, alias Zulkifli, a prize graduate of Jemaah Islamiyah spiritual leader Abu Bakar Baasyir's *Pondok Ngruki* pesantren near Solo, Central Java. Appointed head of a new regional division covering Mindanao, *wakalah Hudaibiyah*, in July 2000, Zulkifli soon began cementing closer ties with Khadaffy Janjalani's Abu Sayyaf Group. Just weeks after the capture of Al-Ghozi and his stockpile of weapons and explosives bound for Singapore, Zulkifli launched a two-month bombing and arson campaign against soft targets in southern Mindanao, culminating in a department store attack in General Santos City in South Cotabato (the nearest point in the Philippines to Australia) that killed fifteen. The Abu Sayyaf Group brought off a similar attack on two Zamboanga City department stores five days after the first Bali bombings, killing seven. Like the Bali bombings, this action was designed to cause maximum carnage by detonating two sets of explosives in rapid succession.

Zulkifli's bombing campaign, which drew on both Abu Sayyaf and MILF assets, put Manila's formal peace talks with the MILF in Kuala Lumpur on ice, and reached new heights in February and March 2003. First the Cotabato City airport, then the Davao City international airport and the Davao wharf were attacked, killing 40 bystanders in all. The Davao airport bombing was the deadliest in Southeast Asia since the first Bali attack, until, in February 2004, an Abu Sayyaf operation sank a passenger ferry in Manila Bay, killing at least 116 people.

The loose, localised structure of the MILF in which local commanders have a considerable degree of autonomy aids individual commanders

maintain links with foreign terrorist organisations, the Abu Sayyaf Group and the MNLF. The MILF's rise to pre-eminence was aided both by its links to the global Islamist struggle with its focus on Afghanistan and locally by the fracturing of the MNLF which was accelerated by the 1996 deal. The MILF draws heavily from the two ethnic groups in Muslim Mindanao that dominate central Mindanao unlike the Abu Sayyaf Group and the previously dominant MNLF which are stronger in the Sulu archipelago and among the more dispersed Tausug and Sama communities.

Approach to the peace process

Unlike the foreign terrorists in Mindanao that have focussed global attention on the Philippines, the MILF has defined achievable political ends that can be advanced through negotiation with the Philippine state. Striking and implementing a sustainable deal could help entrench the hold of the MILF central command over the Front as a whole and encourage recalcitrant local commanders who are the most closely aligned with the Abu Sayyaf Group and foreign terrorists to embrace the peace process. A failed deal, as with 1996 and the MNLF, could deepen divisions in the MILF and further splinter and radicalise the insurgency making it an even more attractive host for regional terrorists.

The Front's inability to defeat the AFP or to gain official foreign support for its independence struggle helps explain its commitment to the peace process. As with the GAM (Free Aceh Movement) forces in Aceh, Indonesia and the MNLF before it, the MILF sees the peace process as the best way of promoting its cause internationally and gaining access to foreign support and foreign monitoring of Philippine state activity in Mindanao.²¹ The recently signed peace deal in Aceh could serve as a partial model for a deal between the MILF and Manila. This deal is providing the insurgent group GAM with the confidence to transform itself into a regional political party with the potential to gain a voice nationally. GAM gave up its demand for immediate independence while the Indonesian government expanded its definition of regional autonomy. A similar set of compromises could work in Mindanao.

In line with its interests in the peace process, the MILF central command has disassociated itself from the steadily rising crescendo of terrorist violence in the Philippines. Shortly before his death in July 2003, Salamat Hashim, under pressure from Manila, publicly renounced terrorism as a means of attaining political ends. Salamat even sent a personal letter to this effect to President Bush in 2003. Both the MILF and the Moro National Liberation Front have publicly labelled the Abu Sayyaf Group as ‘un-Islamic’ for their terrorist acts.²² It is far from clear, however, just how binding this declaration really is over an already diffuse movement, increasingly factionalised since Salamat’s passing.

On paper, the MILF is now presided over by a new chairman, Al-Haj Murad, and two vice-chairmen — for political and military affairs, respectively — Ghazali Jafaar, and Abdulaziz Mimbantas. Murad, who is not an Islamic *ustadz* (scholar), is seen as an MILF moderate more willing than Salamat to accept compromises to reach a deal and new options such as confederation.

Under Murad, the MILF central command has offered more concrete signs that it is committed to the peace process and that it is delinking itself from the Abu Sayyaf Group and foreign terrorist groups. In May 2005, through the Ad Hoc Joint Action Group, the MILF agreed to consider a list of 53 ‘militants’ identified by Philippine intelligence as active in Mindanao and to jointly pursue them with the AFP. This list included 32 foreign terrorists and 21 locals including Khaddafy Janjalani.²³ In mid-2005, the MILF, in its central Mindanao heartland, cooperated with the Armed Forces of the Philippines to pursue Janjalani and Jemaah Islamiyah operatives in MILF-controlled areas. The Front claimed, with no outside confirmation, in October 2005 that it had suspended two local commanders and their 4,000 supporters in Maguindanao because of these commanders’ links to foreign terrorists.²⁴

In October 2006, the MILF and Philippine National Police announced that they were assisting the AFP operations in Jolo to capture Janjalani and two Indonesian suspects in the first Bali bombings, Dul Matin and Umar Patek. 6,000 AFP combat troops are involved in this operation.²⁵ Dul Matin’s wife, Istiada Binti Oemar Sovie, was captured during this operation and claimed that there are still strong ties between certain

MILF commanders, the Abu Sayyaf Group and Jemaah Islamiyah. A series of small bomb attacks in the Cotabato region in the week following the arrest have been seen by many as revenge attacks by Jemaah Islamiyah operatives.²⁶

At a May 30 2005 MILF assembly— reportedly up to 100,000 people attended — MILF Chairman Murad proclaimed that ‘Today is the day the next generation of Bangsamoro will remember as the day the MILF and the Philippine government announced to the world at large that it is not impossible to solve seemingly irreconcilable issues as long as negotiating parties approach the table with an open mind and sincerity.’²⁷ The 30 May assembly, attended by the Organization of the Islamic Conference (despite its recognition of the MNLF), the World Bank and local politicians, presented the MILF as a powerful political force willing to deal and Murad as a confident leader secure in power.

The MILF leadership’s push for a political solution with Manila is in line with the wishes of the local Moro population. In a 2002 survey, only 16% of ARMM respondents supported secession from the Philippines. Only 9% favoured the existing ARMM arrangement.²⁸ The MILF, however, has always adopted a more cautious public rhetoric on the decade-old peace process than the government. The Front’s aim is to foster ‘incremental and irreversible’ change through the process and its insistence on a more comprehensive agreement than the 1996 one. Today, the MILF spokespeople on the peace process are casting doubts on the hopeful talk of a deal around the corner coming out of Manila and warning that a lack of concrete progress may trigger a return to armed conflict.

Pitfalls for the peace process

The MILF’s more cautious tone on the pace and prospects of the peace process partially reflect two interconnected challenges for the MILF negotiators intimately linked to the immersion of foreign terrorists in the local insurgency:

- 1) Murad’s uncertain authority within the MILF and
- 2) potential spoilers, local and foreign, and the growing links between them

Uncertain authority

Murad and his men head a Jihad executive committee at the core of the larger MILF central committee, theoretically overseeing a shadow government with political and military command structures reaching down to village level in most of Muslim Mindanao. In practice, MILF division and brigade commanders fuse military and political functions, building personalised armed followings along clan and kinship lines to compete for local paramountcy with traditional Muslim authority figures (*datus*), who often are tied into the national political system. Local commanders will have to be convinced that a political deal with ‘imperial Manila’ negotiated by Murad and his men will serve their local interests. There are also growing concerns of a generational split in the MILF between the older generation of moderates like Murad and a younger, fundamentalist cohort opposed to compromise.²⁹

The MILF central command can rely on the support of local commanders in the event of general mobilisation, as occurred during the ‘total war’ of April–July 2000. It is far less obvious that they are able to restrain local commanders from launching their own pocket offensives — or forming alliances of convenience with the Abu Sayyaf Group, Jemaah Islamiyah or bandit elements — when they choose to do so. These pocket conflicts and local alliances have repeatedly proven the undoing of diplomatic hopes in distant capitals. In the post-September 11th, post-Bali context, they threaten a new spiral of escalation as the interests of various militant factions converge.

Murad’s relationship with local commanders is not as strong as was Salamat’s, yet his approach to Manila is more cooperative. Murad is a Maguindanaon and his hold is rumoured to be particularly weak over Maranao commanders. A peace deal with the MILF central command could split the MILF ethnically with the Maranao, the second largest Moro ethnic group, turning against Murad. The MILF central command’s recent cooperation with the AFP and reports of MILF disciplining of ‘rogue’ commands only took place in Maguindanaon areas loyal to Murad.³⁰ Murad and the central command so far has

been unwilling, or more likely unable, to discipline more militant local Maranao commanders showing the limitations of the Ad Hoc Joint Action Group’s ability to effectively build confidence on both sides.

The combustible mixture of Murad’s uncertain authority and the peace process came to the fore in March 2006 when it was reported that there was an attempt to replace Murad with Salamat Hashim’s younger brother Samir Hashim.³¹ Maguindanaon local commander Ameril ‘Commander Kato’ Umbra led the challenge to Murad and used Murad’s support for the peace process as one of its main justifications. Commander Kato has consistently caused the greatest problems within the MILF in relation to Murad’s leadership and his support for the peace process. Aggressive acts by Kato and his followers helped trigger the 2000 ‘total war’ period. Kato has been involved in a long-running local feud with the Ampatuan clan that has become more combustible after Zaldy ‘Datu Puti’ Ampatuan’s election, with strong backing from Manila, as governor of the ARMM in August 2005.

Potential spoilers

The ability of the MILF central committee to convince its locally-based cadres to support a deal is greatly complicated by the interest the Abu Sayyaf Group, challengers within the MILF and resident foreign terrorists have in opposing any deal. By itself, the Abu Sayyaf Group is a declining force facing a growing, foreign-supported counter-terrorism threat from government forces. The Abu Sayyaf would benefit greatly by attracting support from rejectionist MILF commanders and would certainly try to sow dissatisfaction within the MILF over any deal.

Recent counter-terrorism successes against the Abu Sayyaf Group and the foreign terrorist infrastructure in Mindanao, ironically, have strengthened certain spoiler scenarios by firming up links between the Abu Sayyaf Group, resident foreign terrorists and militant MILF commanders.³² The American-assisted counter-terrorism campaign against the Abu Sayyaf Group in its Basilan stronghold launched in the early aftermath of September 11th, while weakening the group, led

to many of the group moving to central Mindanao where they were able to establish stronger personal and training ties with local MILF commanders and resident foreign terrorists.

Running parallel with this, since 2000, the foreign terrorist infrastructure in Mindanao has been significantly dismantled. During the ‘total war’ period in 2000, the MILF’s main Abu Bakar camp was overrun and in the process three different camps training Indonesian terrorists were dismantled. Since then, foreign terrorists have scattered across the conflict-ridden areas of Mindanao seeking stronger ties with local insurgents who can provide them temporary safe haven. Foreign terrorists and their violent, transferable skills are now harder to keep track of, more mobile and more dependent on local supporters. Pressure on Jemaah Islamiyah in its Indonesian heartland and the fracturing of the movement also means that Indonesian terrorists in Mindanao are now autonomous themselves and have greater personal interests in the continuation of the insurgency in Mindanao.

The August 2005 ARMM elections may have set the stage for a larger spoiler scenario by undermining the MILF’s faith in the peace process. President Macapagal-Arroyo and her ruling coalition backed a successful non-Moro National Liberation Front (MNLF) slate led by Zaldy Ampatuan who is from a clan at odds with the MILF. In response, the Moro National Liberation Front (MNLF) boycotted the election stating that, ‘They [the ruling coalition] mistreated MNLF leaders. We were just used. I hope whoever convinced the President not to field or support the candidacy of any MNLF leaders will not regret their move.’³³

President Macapagal-Arroyo’s public support for a non-MNLF slate in the ARMM less than five years after its expansion under the 1996 peace deal with the MNLF casts a dark cloud over Manila’s willingness to live up to the spirit of the 1996 deal. It effectively dismantled the political coalition in the ARMM between the Moro National Liberation Front and the national ruling party coalition that underpinned the 1996 deal. Doubters in the MILF may well ask will history repeat itself and undercut the MILF, particularly its moderates, if they also sign a peace deal. The next chapter will deal in more detail with the Philippine state’s mixed motives in Mindanao and how they weigh down the peace process.

The declining fortunes of the MNLF and its founder Nur Misuari since the 1996 peace deal have played into the complexity of the present peace process and given ballast to potential spoilers. In February and again in November 2005, Misuari’s faction in the MNLF clashed with the Philippine armed forces in Misuari’s Jolo bailiwick. These clashes killed approximately 100 people and displaced over 80,000 and were the most destructive upsurge in the insurgency since 2003. They served as a timely reminder of Misuari’s continued political sway.

Opportunistically, the Abu Sayyaf Group mastermind, Abu Sulaiman claimed the coordinated 2005 Valentine’s Day bombings that took place soon after in Manila, Davao and General Santos City, killing eight, were in retaliation for the military’s actions in Jolo. This was a transparent attempt to align the Abu Sayyaf Group with broader Moro sympathy toward Misuari, who has been languishing in detention since a failed uprising in November 2001.³⁴

On a more hopeful note, Nur Misuari’s recent reappointment as Chairman of the Moro National Liberation Front (despite his still being incarcerated near Manila) is a good sign of MNLF reconsolidation and opens up new opportunities for the peace process. Ongoing unity talks between the MILF, who welcomed Misuari’s reappointment, and the Moro National Liberation Front may act as an effective counterbalance to these spoiler scenarios by helping to address the need for any deal with the MILF to co-exist with the 1996 deal.

If the Moro National Liberation Front can truly coalesce again around Nur Misuari and the unity talks can deliver a common position on the peace talks this would remove Misuari as a lightning rod for those opposing the peace process and help override one of its biggest sticking points. While the suggestion by some to expand the peace process to formally include the Moro National Liberation Front as a third official party may be a step (or more) too far,³⁵ providing the Moro National Liberation Front and its founder Nur Misuari more involvement, through cooperation with the MILF, could undercut some spoiler scenarios and the local anger they feed off.

A final spoiler scenario involves the Lumads (a Visayan term for native or indigenous) of Mindanao and is one where MNLF unity or

MILF-MNLF cooperation would have little impact. Lumads is the term used to describe the non-Moro, non-Christian indigenous peoples of Mindanao. With the Moros, they share a history of economic, political and demographic marginalisation in Mindanao and opposition to inclusion within the Philippine state. In 1903, the 18 tribes covered by the Lumad classification accounted for 22 % of Mindanao's population. This fell to 7 % by 1975 and now rests at about 5 %.³⁶ However, while being a source of recruits for the communist insurgency,³⁷ Lumads have never organised into an effective insurgent group or been party to any of the peace processes in Mindanao.

Lumad concerns with the Moro peace processes have particularly focussed on the question of ancestral domain, the main issue of negotiation now between the MILF and the government. In late July 2006, a meeting of 70 Lumad leaders in central Mindanao met to argue against the inclusion of their areas in any deal struck between the MILF and the government. It is reported that members of the government peace negotiating panel with the MILF also participated in this Lumad leaders' meeting.³⁸ Lumad opposition to the expansion of the ARMM could pose a serious problem for the negotiations between the MILF and the government and particularly the implementation of any deal that makes claims to lands that Lumad tribes view as part of their ancestral domain. Such claims cover many of Mindanao's richest natural resource deposits while Moro and Lumad ancestral domain claims are not mutually exclusive.

The reported inclusion of government peace panel members in this meeting may also deepen long-standing worries that either side of the peace process may try to mobilise Lumad communities to strengthen their position. Both the MNLF and MILF definitions of Bangsamoro (the Moro nation) do not exclude the Lumad tribes. The closer the MILF and the government get to signing a peace deal, the more excluded groups like the Lumads and influential local politicians will push to be included and threaten not to accept any changes to their own positions without full consultation. Yet, including any new parties, especially at what appears to be the later stages of negotiations, would be difficult.

Looking forward

Terrorist organisations have a clear enough interest in conflict escalation, which draws new recruits to their cause. The mystery is why the main parties to the civil war — the central leadership of the MILF and MNLF, and the executive in Manila — would allow themselves to be manipulated in such a way. Both sides appear to be engaged in a high-stakes game of bluff. The MILF leadership, struggling to consolidate its authority after Salamat Hashim's death, cannot afford to be seen as repeating Misuari's mistakes in 1976 and 1996 — falling for a hollowed-out autonomy that promises far more than it delivers. Unable to bring militant commanders consorting with Jemaah Islamiyah and the Abu Sayyaf Group fully to heel anyway, it is likely that the 'moderate' leadership around Al-Haj Murad rationalises these continuing ties as a form of insurance policy should negotiations fail. It is a bargaining chip that brings extra pressure to bear on Manila to find a viable solution to fundamental grievances.

Unfortunately, Manila seems to be playing a similar hand of cards, counting on the prospect of direct American intervention in the context of the war on terror to pressure Murad, from a position of weakness, into an early agreement. Certainly Manila's over-optimistic public refrain — a final peace pact always just around the corner — appears calculated to portray the more cautious MILF as the spoiler, while intelligence-operations fusion with U.S. forces based in Zamboanga City continues to mount.

Intelligence fusion with American forces and cooperation between the AFP and MILF central command after the enactment of the Ad Hoc Joint Action Group has assisted in the fight against the Abu Sayyaf Group. Surgical air-strikes by the AFP against Abu Sayyaf targets and the foreign terrorists like the two Bali bombing suspects were carried out in November 2004, January 2005 and April 2005 in areas of southern Maguindanao overseen by the MILF maverick, Commander Kato. The accuracy of the intelligence, based on electronic communications intercepts and American UAV over-flights, was confirmed, among other things, by the muted MILF response.

These air strikes were followed up by sustained ground sweeps until Ramadan in September 2005 by AFP troops in the same areas after gaining approval from the MILF for these operations.³⁹ Yet, the bombers and Janjalani escaped to Jolo, and their efforts to weave local conflicts into a wider confrontation with the West are certain to intensify.⁴⁰ The AFP, with American and MILF assistance, is still pursuing Janjalani and the two Bali bombers in Jolo. Maverick MILF local commanders with their links to the Abu Sayyaf Group and foreign terrorists like Commander Kato and areas of state failure like Jolo and southern Maguindanao are proving to be serious practical obstacles to hopes for peace.

The driving forces behind rebellion in the southern Philippines are complex and numerous, ranging from clan ties and kidnap-for-ransom syndicates like the Abu Sayyaf Group and the Pentagon Gang, to the legitimate grievances of marginalised Moro peasants and the apocalyptic visions of Jemaah Islamiyah ideologues. In practice, of course, every antagonist is motivated by a unique mix of greed, grievance and ideology — Jemaah Islamiyah operatives run guns for profit and rob infidels with religious sanction — but isolating these ingredients, so explosive in combination, is key to stemming Mindanao's escalating spiral of strife. While the focus of much analysis remains fixed on the main players, each driven by an undifferentiated agenda, this brief survey has shown that on the 'rebel' side, multiple agendas and their (sometimes unintended) consequences are central to explaining the persistence of conflict and the fragility of the peace process. We now turn to examine how Manila's own mixed motives complicate the peace process and undermine its chances for success.

Chapter 3

The Philippine state

For the Philippine state, the Moro conflict is only one of two large, deeply-rooted and long-lasting insurgencies featuring repeated peace processes. Unlike the Moro insurgency that is largely contained in Mindanao, the communist one led militarily by the New People's Army is nationwide affecting the three major island groups of the Philippines. The Philippine state is also presently involved in a long, stop-start process of peace negotiations with communist insurgents. However, Manila has recently announced an 'all-out war' against the New People's Army with the express purpose of eliminating it in two years.⁴¹ The duration and depth of these two internal conflicts reflect some of the serious structural weaknesses of the Philippine state that inhibit the search for peace and stability and true national integration.

The containment, largely, of the Moro insurgency to the conflict-ridden areas of Mindanao and its expression of ethnic and religious minority alienation from the dominant Christian culture has limited the national political significance of the Moro insurgency. For the majority of the Philippine population, the Moro insurgency is a distant problem with little noticeable impact on their lives or political interests. A failed peace process would likely have little national political downside for President Macapagal-Arroyo. Rather, as the 1996 peace deal experience

showed, signing a peace deal that requires the delegation of power and funds can have serious national political complications that undercut implementation.

The immersion of foreign terrorists in the local Moro insurgency and the growing number of terrorist bombings outside of the traditional boundaries of the insurgency has hardened public attitudes against the Moro community and the local insurgency. A Pulse Asia survey in 2005 on attitudes towards Muslim Filipinos recorded that 47% of respondents (98% non-Muslim) 'believe that that Muslims are probably terrorists or extremists.' 59% of non-poor respondents also expressed a preference to pay a higher rent than to live near or in a Muslim community.⁴² There are few signs that these violent spillovers from the Moro insurgency has helped create a national understanding of the need to arrive at a politically sustainable solution even if this means constitutional reform and a less unitary Philippine state.

Internationally, the links between the insurgency and terrorism have re-established the Philippines as a front-line state in the defining global conflict, rebuilding relations with its traditional partners and giving it access to significantly more foreign support. An enduring focus of Philippine foreign policy has been to maintain solid links with 'larger and more powerful friends' and their financial support. For decades, the communist insurgency kept the Philippines as a country of concern in the Cold War. Today, the resident terrorists in Mindanao are playing a similar role in the war on terror.

The Philippine state under President Macapagal-Arroyo has been a strong supporter of this global war and has actively sought greater foreign engagement in counter-terrorism activities in Mindanao and the peace process. The Philippine state has been the protagonist in the negotiations for status of forces agreements with Australia and Singapore. President Macapagal-Arroyo was willing to shoulder the constitutional challenges and vocal criticisms stirred up by the return of American troops to Mindanao in 2002 for the first time since the Philippines gained independence from their colonial master. Vice President Teofisto Guingona who was also foreign secretary resigned in protest over the terms of the American re-entry.

Progress in rooting out the foreign terrorists and their local supporters and in the overarching peace process are keys to maintaining foreign support, increasing the incentives to push for a quick deal. Previous delays have led the American government to threaten to withdraw their funding for the peace process. However, the realities of national and Mindanao politics require a slower more measured and more comprehensive approach.

The nature of the Philippine political system and the resulting weakness of the Philippine state is the main reason for the resilience of both the nation-wide communist insurgency and the Moro insurgency. The Philippine political system contributes to insurgencies rather than facilitating their political solution. Counter-insurgency campaigns in neighbouring states like Thailand, Indonesia and Malaysia served to consolidate the authority of bureaucratic states, with well-funded professional militaries turning increasingly to external defence in the 1980s and 1990s. In the Philippines, the Armed Forces of the Philippines remains today almost entirely an internal security force while the authority of the Philippine state does not extend to large tracts of its territory.

The Philippine administration has to consider a large number of different, influential stakeholders in its negotiations with the MILF. The Congress, Mindanao's Christian and Muslim power brokers and the AFP are the three most important of these. Each is ambivalent towards the peace process. The Philippine administration's approach to peace talks cannot be treated in isolation from its national political interests or its interests in Mindanao politics. Mindanao power brokers feed off the Christian-Muslim division to strengthen their own political power. So like the preceding peace processes, this one is vulnerable to struggles for political power in Manila and to the central role Mindanao's power brokers play in these struggles.

The personalised nature of the Philippine political system aggravates these weaknesses and casts doubt on the central government's ability to stick to any peace deal over the long term. The implementation of the 1996 deal and the present talks with the MILF offer numerous examples of how national political struggles can upset the search for peace. Mindanao's local

political bosses and their influence in national politics raise the national political costs of striking a peace deal with Moro insurgents.

The majority of Mindanao's Christian population and most of its political leaders opposed the 1996 deal.⁴³ Mindanao's well-entrenched political clans are wary of peace deals that may threaten their hold on power locally and are influential players in Manila, particularly during times of national political turmoil. It is unlikely that a peace deal can be effectively implemented if Mindanao's local political leaders continue to be excluded from negotiations. However, their inclusion almost certainly means that more creative and bold proposals, like constitutional reform, will need to be seriously discussed to gain their support. The ongoing discussions of constitutional reform headed by President Macapagal-Arroyo to shift the Philippines towards a parliamentary system might well be expanded in this manner.

The weak state

Most accounts of the Mindanao conflict portray the Philippine state as a unitary actor, sometimes even conflating the state and the majority 'Christian' population as one in opposition to 'Muslim' forces — a so-called 'clash of civilizations'.⁴⁴ Yet, just as on the 'rebel' side, the ranks of those nominally owing allegiance to the state — which include Muslims as well as Christians — are deeply divided and relatively autonomous from national political control.

The Philippine state is a weakly institutionalised, unstable coalition of interests, in tension with a 'strong society' whose clan and tribal loyalties eclipse any sense of national purpose.⁴⁵ The Moro rebellion is just one symptom of a far-reaching malaise with origins in the process of colonial state formation under American rule (1898–1946). By superimposing formal electoral democracy on a system of feudalistic land ownership, US colonialism reinforced a pattern of warlord politics. The state apparatus became a prize to be captured and plundered, rather than a neutral arbiter among claimants in civil society.⁴⁶

Philippine national politics is a diffuse process with no programmatic and mass-based political parties. Rather, parties are umbrella organisations

for individual leadership contenders to organise locally-based coalitions of support among relatively autonomous political bosses with the promise of access to state patronage as the uncertain basis for loyalty. Access to national state patronage is an important but not always a necessary condition for the maintenance of local political control.

Members of losing coalitions bidding for national power have the choice of shifting their allegiance to the victorious leader or seeking ways of replacing the leader to regain access to patronage. The desire by losing coalitions to regain power was a determining factor in the ousting of President Estrada in 2000–2001 and the tit-for-tat attempt to unseat President Macapagal-Arroyo in 2005. The 1987 constitutional ban on presidents seeking a second consecutive term is a serious disincentive for national political leaders to attempt to break this cycle and form mass-based programmatic parties. It also guarantees that every six years a new crop of presidential candidates needs to organise nation-wide coalitions of local political bosses helping to ensure their continual hold on national politics.

The House of Representatives with its control over the state's purse strings is the institutional centre of national power for local political bosses. Representatives are the only national political figures elected from single-member local districts, and the majority of representatives are clan members of, or answerable to, their respective political dynasties. The Philippine Center for Investigative Journalism reported in 2001 on the new House of Representatives that, 'of the 214 members of the 12th House, half belong to established political clans. Many of the other representatives are starting power networks of their own and have close relatives in elective posts'.⁴⁷

The political system and clan influence in the House of Representatives seriously inhibit the power of the presidency in two distinct ways that need to be understood when evaluating the likely path of the present peace process. First, it exacerbates the executive-legislative tensions inherent in presidential systems especially when the executive is pushing reforms opposed by powerful members of Congress or that threaten Congress' control over the budget.

Box 2**Clan power (1)**

The disruptive mixture of clan political power and Christian Mindanaoan opposition to peace processes with Moro insurgents is best exemplified by the Lobregat clan's hold on Zamboanga politics and their opposition to both the 1996 peace deal and the present peace process. Lobregat matriarch, Maria Clara Lorenzo-Lobregat, joined her Christian Mindanaoan colleagues Daisy Avance Fuentes and Lualhati Antonino (collectively known as the *Tres Marias*) in the House of Representatives and effectively blocked budgetary support for the administrative structures established under the 1996 deal.⁵⁰

In 2001, Maria Clara ran successfully for Mayor of Zamboanga while her son Celso assumed her former seat in the House of Representatives. Both ran a coordinated election campaign opposing peace talks with Moro insurgents and the implementation of the 1996 deal. Maria Clara died in 2004, at which time Celso stepped down from the House of Representatives and took over as Mayor of Zamboanga. As mayor, he has resisted the establishment of an international monitoring team base in his city claiming that Zamboanga City is not part of insurgency's conflict-affected areas, and has threatened to arrest the MILF members involved with this team.⁵¹ Mayor Lobregat has also recently stepped up his criticisms of being excluded from the present peace process and insisted that Zamboanga City must be excluded from any territorial agreements with the MILF.⁵²

Congress, before ratifying the 1996 peace deal, forced through changes that significantly watered down the powers of the ARMM. Nine representatives, joined by six senators and one Mindanao governor, led a failed attempt to have the 1996 deal ruled unconstitutional.⁴⁸ Congress did not include in the 1997 national budget any supplementary expenditure

to support the peace deal and its new administrative structures or its ambitious developmental agenda. In the end, President Ramos had to allocate funds from the Office of the President for the new administrative structures while the developmental agenda stalled.⁴⁹ Executive Order 371 released by President Ramos on 2 October 1996 to formally enact the 1996 peace deal acknowledged this watering down when it stated that funding for the deal's new administrative structures would be 'sourced from the Office of the President and from such other funding sources as may be recommended by the Department of Budget and Management'.

Congressional ambivalence ensured that implementation got off on the wrong foot and that many of the promises made by President Ramos to the MNLF could not be fulfilled. In the end, many in Congress opposed to the 1996 deal treated it simply as an agreement between President Ramos and Nur Misuari.⁵³ For any agreement between the MILF and Manila to prosper in the implementation stage, Congress and its Mindanao representatives and senators will have to support it.

A recent bill tabled in the house by Macapagal-Arroyo's ally Deputy Speaker Gerry Salapuddin from Basilan calling for the separation of the ARMM into two regions is yet another sign of potential legislative pitfalls. Salapuddin (the former MNLF chairman in Basilan) is seeking to split off the provinces of Jolo, Tawi-Tawi and Basilan, where the MNLF is stronger, from the rest of the ARMM.

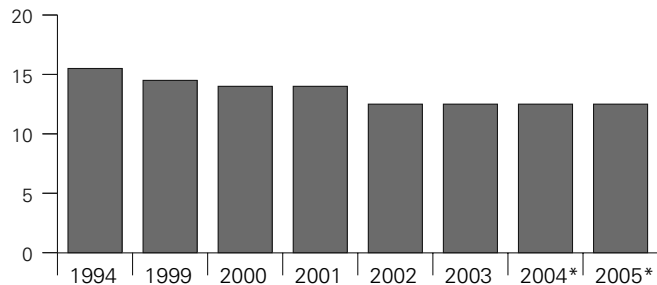
Second, the country faces a severe fiscal situation largely due to congressional resistance to comprehensive tax reform. Only once in the last 40 years, 1996, has the Philippine state enjoyed a consolidated public sector surplus. Automatic expenditure items (mostly debt servicing charges and civil service salaries) eat up roughly 80% of government on-budget spending leaving very little room for expenditure reform and no capacity to take on new large expenditure items that a peace deal or military modernisation require.

The Philippines has a very porous revenue system that has delivered the lowest tax take as a share of GDP among the major Southeast Asian countries. Each president has promised comprehensive tax reform only to see these efforts undercut by congressional ambivalence and slowness. In 2005, after a long and tense battle involving intense pressure

from international credit rating agencies and international financial institutions, the Philippine tax base was deepened and broadened. This has slowed down the fiscal death spiral the Philippines had been in before but, by itself, will not return the Philippines to fiscal sustainability.

Figure 3.1

Tax revenue
% of GDP



Source: IMF (2006)
* estimated revenue

Even if Congress had fully backed the 1996 peace deal, the Philippine state would have been hard-pressed to live up to its side of the deal financially. Congressional ambivalence deepened the disappointment in Mindanao over the 1996 deal. The fiscal weaknesses of the Philippine state meant disappointment and recriminations were guaranteed.

Mindanao politics

Mindanao has always been the part of the Philippines furthest from Manila's orbit and control. The power and self-interest of political clans in Mindanao's conflict-affected areas is the strongest and most corrosive to the national political order. Mindanao is also the only part of the Philippines where the violent nature of inter-clan rivalry is combined explosively with an ethnic and religious insurgency.⁵⁴

Nowhere do strongmen dominate their followers more completely than in Muslim Mindanao. Traditional tribal leaders (*datus*) were assiduously courted by national politicians for the large voting blocs they could deliver. But the steady dilution of these captive voting blocs by government-promoted but mostly spontaneous Christian immigration reached a tipping point in the 1971 elections. For the first time, traditional Muslim political bosses lost out to new Christian contenders. Finding themselves marginalised in the formal struggle for political spoils, many traditional Muslim strongmen threw their support behind a new movement for independence — the Moro National Liberation Front. For most alienated *datus*, this was a political expedient directed not at breaking away from the Philippine state, but at gaining renewed leverage within it.⁵⁵

As discussed earlier, after declaring martial law in 1972, President Ferdinand Marcos pursued a two-pronged strategy against the Moro rebellion. On the one hand, Marcos massively expanded the coercive capacity of the AFP.⁵⁶ On the other, as supreme patron, he peeled Moro opposition away by dispensing favours and sinecures to turncoat rebel commanders. The 'stick' of martial law was wielded overwhelmingly against a hapless civilian population. The beneficiaries of the 'carrot' were the Moro strongmen who brought their mass clientele back into the fold of government. With variations in emphasis between its two aspects, this has remained the basis of state policy ever since. The stuttering progress of the present peace process with its two major breakdowns in 2000 and 2003 suggests that it also fits into this well-tested approach.

In many ways, Marcos and his successors are simply repeating colonial history. The peace agreements forged in 1976, 1987 and 1996, and the regional autonomous governments that resulted, have all been based on the same logic of co-optation that animated American colonial policy towards the Muslim South. 'The Moro masses are perfect strangers to us', wrote a colonial administrator early last century:

We cannot speak their language nor can they speak ours.
We do not understand their ways and ideas and they do

not understand ours. We cannot manage them directly, and in person, nor do they lie within our immediate reach. We cannot rule them without an intermediary ... Why should we not then accept the natural inter-agency of the datu and benefit by his position and influence?⁵⁷

Moro autonomy problems

Some of the Philippines' dirtiest traditional patronage politics involve the 'Regional Autonomous Governments' established since the 1976 Tripoli Agreement in repeated attempts to co-opt Moro leadership. The tarnished history of the ARMM clearly shows how this patronage-based approach to Moro power brokers has hobbled the pursuit of a sustainable political solution.

Patronage not citizenship remains the state's primary mechanism in its efforts to integrate Muslim Mindanao. By purchasing the loyalty of Moro strongmen such as Nur Misuari as 'intermediaries', the active consent of ordinary Moros is bypassed. Elections in the ARMM are the country's most corrupt. Mayors seldom set foot in many of the region's 105 municipalities, where ballots are predetermined and central government revenue allocations — 80 to 90% of most towns' budgets — are treated as officials' personal income. In return, support for administration candidates at the provincial, regional and national levels is all that is asked of local political bosses who, due to chronic conditions of disorder in the ARMM, are in an unrivalled position to manipulate election returns. Localised state failure can provide national political benefits.

Officially inaugurated in November 1990, the ARMM, under its first two elected governors Zacaria Candao (1990–93) and Liningding Pangandaman (1993–96), quickly became 'a massive and inept bureaucracy, a hindrance to, rather than an effective tool for, the delivery of services'.⁵⁸ An additional layer of government between the Philippine state and the existing provincial structure, it serves primarily as an 'employment agency ... for relatives of top officials', with about 20,000 employees on the payroll, many lacking appropriate

qualifications. Salary arrears often extended to months as funds were diverted, or allegedly even held back for lending at usurious rates of interest to the very same employees.⁵⁹

Despite its manifest shortcomings, the ARMM remained the cornerstone of the 1996 deal. Four rounds of formal negotiations between 1993 and 1996, accompanied by 'backroom talks' on the perennially thorny question of a plebiscite (mandated by the Philippine Constitution) culminated in a compromise that skirted the issue. It designated a three-year transition period, during which a new Southern Philippines Council for Peace and Development (SPCPD) would oversee peace and development efforts in the 'Special Zone of Peace and Development' (SZOPAD), comprising the (now) fourteen provinces and nine cities agreed at Tripoli in 1976.⁶⁰

The SPCPD was essentially another employment-generating layer of bureaucracy parallel to the ARMM, with a 'Consultative Assembly' mirroring the latter's Regional Legislative Assembly. The ostensible rationale was that this 'pre-autonomous' transition period would provide an opportunity for the Moro National Liberation Front to enhance its capacity for governance, and secure a more favourable outcome in the eventual plebiscite for ARMM expansion.

Misuari was elected as ARMM Governor a week after the peace deal was signed and, although previously a critic of ARMM corruption, set about further increasing the number of employees 'to absorb some of his former rebel colleagues'. 84% of the body's budget was spent on 'personnel services' in 1997, and 14% on 'operating expenditures', leaving just 1% — less than a million dollars — for capital outlays.⁶¹ The SPCPD, meanwhile, with no revenue-raising or administrative powers could neither initiate nor implement policies, and likewise devoted most of its budget to salaries, maintenance and operating expenses. 'SPCPD is functioning much like the ARMM and the defunct regional autonomy governments', concluded Macapado Muslim — 'as a mechanism for co-optation and conflict regulation, not conflict resolution'.⁶²

The SPCPD interim did not boost confidence in the expanded ARMM to be initiated after the transitional phase. Rather it heightened opposition towards the ARMM in Christian Mindanao, and further fragmented

the Moro National Liberation Front. When the plebiscite to join the new arrangements was held in 2001, three years later than planned, only Basilan province (minus its capital, Isabela City) and Marawi City (both with Moro majorities) joined the existing ARMM. The other nine provinces and eight cities voted no. Voter turnout was low.

The failure of these institutional frameworks for peace hit at the heart of the problem in Mindanao. Strongmen, their armed retainers, and the military are the main manifestations of the Philippine state in Muslim Mindanao — and yet they thrive in symbiosis with their putative rebel enemies. Individual clans can be simultaneously represented in local politics, local military commands and local insurgency commands. Images of the conflict based on the clash of two clearly defined ‘sides’ fail to grasp this essential reality. Policies that do not take it into account will founder.

Similarly, conventional analyses that assume conflict is dysfunctional for local actors (‘the senselessness of war’) overlook the adaptive, emergent structures perpetuating strife at ground level. These are rarely addressed in formal diplomatic negotiations — which focus on grand programmatic issues. Yet, they are central to protagonists’ everyday motives. An elusive trick for the peace process will be to quell the Moro insurgency within the context of the internecine inter-clan feuds that are the basis of Mindanao politics.

Mindanao and national politics

While Mindanao’s political bosses are quite autonomous from national control, one of the greatest political obstacles to the search for peace in Mindanao is often their importance in the Philippines’ frequent national political struggles. At the same time that foreign interest in the peace process has been picking up pace and there is talk of an imminent deal, political rumblings in Manila and President Macapagal-Arroyo’s responses have potentially undermined the local political basis for a peaceful solution.

Box 3

Clan power (2)

President Macapagal-Arroyo’s 2005 choice for ARMM governor, Zaldy ‘Datu Puti’ Ampatuan, is the son of Maguindanao provincial governor Datu Andal Ampatuan — Muslim Mindanao’s pre-eminent traditional strongman. Sworn enemies of the MILF, the Ampatuan clan directly controls seven Maguindanao municipalities, in which Arroyo received more than 99% of the votes cast in the May 2004 elections. Half of Arroyo’s total electoral margin over rival Fernando Poe Jr. in Mindanao came from this province alone.⁶³ The president both slighted the Moro National Liberation Front and successfully backed an enemy of the MILF to lead the ARMM at one of the most delicate stages of the peace process. On 23 June 2006, the AFP claimed that a bomb attack in the Datu Piang Maguindanao targeting Governor Andal Ampatuan bore the signature of the MILF and Jemaah Islamiyah. The MILF has denied any involvement.⁶⁴

While poll fraud in the ARMM lies at the heart of the vote-rigging scandal plaguing Macapagal-Arroyo’s administration since June 2005, Zaldy’s nomination and subsequent victory helped the president defuse the crisis by locking in the support of Zaldy’s uncle, House of Representatives Justice Committee chairman Simeon Datumanong. Datumanong successfully curtailed congressional debate over Macapagal-Arroyo’s impeachment in September 2005 and guaranteed that the impeachment complaint was rejected. A better example of patronage politics and clan power would be hard to find.⁶⁵

The Armed Forces of the Philippines (AFP)

The elevation of the Mindanao conflict into a front in the war on terror has affected the AFP more than any other state agency as it has become

the focus of foreign counter-terrorism engagement. Yet, the AFP is a weak institution that has been particularly undercut by the Philippine state's fiscal incapacities and the diffuse political system that repeatedly draws the military into national political tensions. These problems are particularly acute in Mindanao where for many in conflict-ridden areas the AFP is the unwelcome face of the Philippine state.

Strengthening the AFP's counter-terrorism and naval interdiction capabilities are seen as the most direct and surefire way of closing down Mindanao's terrorist sanctuaries. Beyond strengthening these capabilities though, the AFP's force structure and its presence in Mindanao will need to be comprehensively changed and reduced if the Moro community is to be effectively integrated into Philippine society. Fortunately, the transformation of the AFP into a professional military focussed on defending the archipelago's borders is what senior military authorities have been advocating for many years.

Achieving this double transformation of the AFP is key. It faces ambivalent relations with its civilian masters and continual threats to its chain of command. As with the political order in general, Mindanao magnifies some of the AFP's worst problems. These include breakdowns in command and control, personalised collusion with the 'enemy' and the proliferation of civilian militias with close links to local political clans. All of these raise questions about the AFP's interests in a sustainable peace deal with their adversaries. The fragile nature of civil-military relations and the presidency's need for political support from the military undermine Manila's interests in pursuing peace in Mindanao.

The Mindanao arena

The Philippines' two insurgencies and their intensity in Mindanao have largely defined the AFP's force structure and growth. The AFP doubled in size from 54,100 men in 1972 to 113,000 in 1976 to cope with the initial and most violent stages of the Moro insurgency.⁶⁶ It currently numbers about 120,000 backed up by 52,000 members of militias known as CAFGUs (Civilian Armed Forces Geographical Units), most based in Mindanao.

CAFGUs, as with militias in general, are the most difficult elements of the armed forces to control. They are intimately linked to local political tensions.⁶⁷ Many in Mindanao are little more than the state-sanctified personal armies of local political bosses and a transmission belt between endemic local political feuds and the Moro insurgency.⁶⁸ Many of the largest of these militias are in the hands of local Christian bosses and pose a serious risk to the implementation of any peace deal. The overwhelming majority of AFP troops and commanders in Mindanao are Christian too, often with only a limited understanding of Islam or Moro culture.

Reflecting Mindanao's violent turbulence, of the AFP's five area unified commands across the country, the Southern Command (Southcom) in Zamboanga City controlled, at any given time, three or four of the Army's eight regular infantry divisions, between nine and 13 infantry brigades, and at least two of the three Marine brigades. All told, about 40 out of 90 army and marine combat battalions came under Southcom, which oversaw all units in Mindanao.

On 28 August 2006, Southcom was split into two, the Western Mindanao Command based, like its predecessor, in Zamboanga City and the Eastern Mindanao Command which will be based in Davao City. The new Western Mindanao Command will focus on the hunt for the Abu Sayyaf Group and foreign terrorists while the Eastern Mindanao Command will focus on the fight against the New People's Army.⁶⁹

Box 4**Mindanao's promotion ladder**

Not surprisingly given its size, Southcom has been seen as a key career objective for upwardly mobile general officers. Combat command experience in Mindanao is an all but certain path to the AFP's most prestigious and lucrative positions. Often cabinet or diplomatic postings follow. Southcom had been equivalent to a major service command since 1981 (with the rank of three-star lieutenant-general, alongside the overall commanders of the army, navy and air force),⁷⁰ and six of the ten joint-service AFP chiefs of staff (four-star generals) since 1998 previously served as Southcom commanders.

This pattern has become especially striking since the resurgence of conflict with the MILF and Abu Sayyaf Group in the wake of the 1996 peace deal.⁷¹ Command of Mindanao's 1st (Tabak), 4th (Diamond) and 6th (Kampilan) infantry divisions during Estrada's 2000 'all-out war' against the MILF gained third stars and Southcom command for Narciso Abaya, Roy Cimatú and Gregorio Camiling respectively. Cimatú and Abaya went on to succeed Diomedio Villanueva, who headed Southcom during the 2000 summer offensive, as chiefs of staff. Villanueva's superior at the time, General Angelo Reyes (himself a former Southcom commander), was rewarded with the civilian defence portfolio.

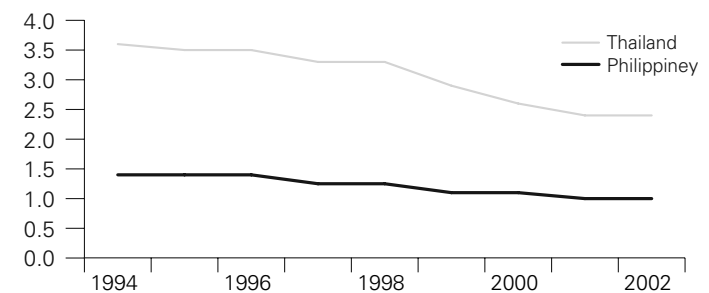
Abaya's progress toward the AFP's peak position received a further boost when he oversaw the February 2003 attack under President Macapagal-Arroyo on Salamat Hashim's headquarters near Pikit, North Cotabato as Southcom commander. The Pikit offensive provoked the most serious fighting and internal displacement since the all-out war.⁷² It also delayed the peace process for months and led many in the MILF to question the Macapagal-Arroyo administration's commitment to the peace process.

Transformation problems

The AFP has borne the brunt of the Philippine state's fiscal shortcomings and its inability to fund significant new expenditures. As the table below indicates, despite very low spending on the military and the persistence of both insurgencies, Congress has little appetite for increases. The AFP's tainted public image stemming from the Marcos era and the numerous failed coup attempts in the post-Marcos era means that it has limited public support and a serious image problem. Funds nominally allocated to the military are occasionally diverted to other more politically salient concerns.

Figure 4.1

Military Expenditure
% of GDP



Source: SIPRI (2004)

The AFP's poor record in the annual battle for funds partially stems from its history as a heavily externally-funded state body. The Philippines is a treaty ally of the United States and for close to one century served as America's primary military hub in Southeast Asia. Until the Philippine Senate's refusal in 1991 to renew the lease of the United States' military bases in the Philippines, American military assistance accounted for approximately two-thirds of the AFP's acquisition and routine maintenance expenditures.⁷³ Yet from 1991 until the war on

terror visited Southeast Asia, American military assistance largely dried up and it was not replaced by significant increases in local spending, leaving the AFP as a declining and resource-starved force.

The lack of funds is one of the AFP's major complaints against the government and a significant factor in its low morale, endemic corruption, weak chain of command and in the political restiveness of the rank and file. Another significant contributor to these problems, as identified by the AFP's senior command itself, is the AFP's counter-insurgency focus. The AFP has no effective external defence capacity as its strict financial limitations mean it cannot be both an internal stabilisation force and offer even a modicum of external defence.

President Estrada's Secretary of Defense Orlando Mercado, in 1999, wryly noted that the Philippines had 'a navy that cannot go out to sea and an air force that cannot fly'.⁷⁴ On 1 October 2005, the Philippine Air Force decommissioned its last F-5 fighter purchased forty years earlier leaving only training aircraft available. Maintenance expenses and the shift to a stronger focus on internal counter-insurgency efforts were used to explain the decommissioning and lack of immediate plans for replacement. When the Philippine Air Force purchased 23 F-5s in 1965, it became the first air force in the region to possess supersonic fighter jets.⁷⁵

The AFP requires two distinct force structure changes. First, its local platoon-based force structure needs to be reformed and the quality and pay of its members improved. The army's foot soldiers are worryingly old and seriously underpaid, often having to rely on family support or extra sources of income. The average age of the Philippine army is well above the 30-year old ceiling that military experts see as the maximum for a fit and effective fighting force. The AFP's lack of battlefield medical evacuation capabilities also seriously undermines its ability to engage in armed combat or vigorously pursue its enemies. This goes some way to explaining the AFP's numerous failed attempts to effectively deal with the Abu Sayyaf Group.

The AFP's infantry-based internal security-focussed force structure is more popular among the AFP's civilian masters than among its own members, who bear the operational burden,⁷⁶ because it keeps the

military heavily exposed to political pressure, especially at the local level. This maximises opportunities for local corruption and biases the force structure towards the army. The AFP's long-standing and relatively ineffectual role in the Philippines' two major insurgencies has also tarnished its reputation in the eyes of the affected citizens.⁷⁷

Second, in the longer term, the AFP's force structure should be transformed (or modernised in AFP terminology) into an externally-oriented defence force featuring fewer but better trained and better equipped troops and a better balance between the presently dominant army, neutered air force and extremely small navy. This second change, as with the first, is being supported by the AFP's foreign partners. Yet, it is only likely to gain real steam if both local insurgencies are seen to have been quelled. The first transformation may well assist the peace process by strengthening the AFP's ability to deal surgically with resident terrorists and their local supporters. The second is more dependent on the success in finding political solutions to the two insurgencies.

Transformation denied

The link between this second change and the quelling of the insurgency can be seen by the most significant attempt to modernise the AFP and turn its attentions to external defence. In 1988, the military, trying to shed its martial law image, proposed a reform package in an effort to professionalise its ranks, disentangle itself from politics and orient itself for the first time towards external defence.⁷⁸ This report came out at the height of the AFP's factionalism and the flurry of *coup* attempts that dogged the Aquino administration. When President Ramos, Aquino's former secretary of defense, took office in 1992, military modernisation along the lines of the 1988 report was deemed a priority issue.

Legislation in the early 1990s separated police and military functions while bills were tabled calling for an extensive, externally-oriented military modernisation program. In the mid-1990s, the quietening of the two major insurgencies and the acceleration of their respective peace processes combined with growing concerns over Chinese incursions in the Spratly Islands provided a favourable environment. Progress on

modernisation also offered the prospects of regaining access to foreign military assistance and the chance to burnish the AFP's regional reputation.

Today, however, police and military functions are no longer so clearly divided and military modernisation is all but a dead letter.⁷⁹ Despite strong support for this transformation within the AFP and the executive and the promise of renewed foreign military assistance,⁸⁰ modernisation foundered. Congress balked at the 332 billion peso military modernisation plan, cutting it in half.⁸¹ With the onset of the Asian financial crisis, even these funds were reallocated. Military spending as a share of GDP continues its secular decline. When President Estrada came to power and shifted to a more forceful approach to both insurgencies, the window of opportunity slammed shut. The resort to total war strategies towards either (or both) insurgencies, as indicated by the rationale for the F-5 mothballing, can act to derail AFP modernisation.

Tainted public image

Politically, the AFP and the Philippine state also need to work hard to overcome the deeply-engrained popular suspicions towards them which have deleterious effects on counter-terrorism efforts in the Philippines. Since September 11th, conspiracy theorists worldwide have postulated that the Bush White House or Israeli intelligence must somehow be in league with Al-Qaeda in order to promote their war on terror. A similar 'wag the dog' mindset is deeply entrenched in the Philippines, where conflict with Muslim separatists is often imagined as a *Moro-Moro* — a contrived morality play in which military and CIA puppet-masters act out 'scenarios' against an artificially sustained yet demonised 'enemy' with whom they are actually in partnership.

There is no shortage of anomalous incidents to support such a world-view, which took root during decades of dictatorship and press control. Gossip and urban myth became modes of resistance to state propaganda and censorship, substituting for factual reportage and hardening into habitual cynicism toward all officialdom. A regime Machiavellian enough to stage an ambush on its own defence minister

to trigger martial law — as did President Marcos, by the minister's own later admission — was surely capable of anything. Even of bombing an opposition political rally and pinning the blame on communists.

After the restoration of democracy in 1986 — when Minister Juan Ponce Enrile confessed to the staged ambush fourteen years earlier — it also emerged that the infamous grenade attack on opposition leaders at Plaza Miranda, used by Marcos as a pretext to suspend civil rights, was indeed the work of communists.⁸² But for many politicians and newspeople in the Philippines, the conspiracy angle is now a reflex response to terrorism, commanding instant headlines without putting anyone to the trouble of attempting to separate fact from fiction.

The upshot is a seriously debased public conversation on the causes of and appropriate responses to terror. Citizens who believe their government is directly implicated in the same terrorist attacks it attributes to its enemies will not grant it the tools it needs to deal effectively with the problem — in particular, anti-terrorism laws that, for many, invoke the spectre of renewed dictatorship. There are 10 separate anti-terrorism bills pending in the Philippine Congress some of which were tabled before the atrocities of September 11, 2001. Without effective powers of investigation and arrest, and the transparent and timely trials and convictions that should follow, authorities are unlikely to convince citizens of the reality of the threat in their midst — thus perpetuating the cycle of cynicism.

If, as we believe it to be, counter-terrorism is an indispensable part of resolving the Mindanao conflict, and turns principally on public support for the effort, then this crucial front is in danger of being lost. A more discriminating popular discourse will only evolve when government is seen to investigate and severely punish security sector corruption and collusion, rather than engaging in clumsy cover-ups. Faustian bargains pervade the political establishment and the military, but they do not follow a conspiratorial master plan. Instead they reflect the uncoordinated opportunism, venality, and incompetence of countless individual players — including those most prone to crying conspiracy themselves.

Looking forward

The nature of the Philippine political system and the consequent weak state have been decisive factors in the resilience of the Moro and communist insurgencies and the inability to find sustainable political solutions to them. The arrest warrant for MILF Chairman Murad in October 2006 by the central Mindanao police command after a series of small-scale bombings illustrates the problems of coherence in the Philippine state. This warrant, one of 30, was issued at a very delicate time during the peace talks and forced the Philippine state negotiators to promise to have it withdrawn after the MILF threatened that the warrant could lead to the collapse of talks. After consultations with Philippine state peace negotiators and military leaders in Mindanao, the central Mindanao police director agreed that the MILF had no organisational responsibility for the blasts.⁸³

The AFP has been one of the most adversely affected state bodies by these weaknesses. At the same time, the present force structure and capability short-comings of the AFP need to be addressed to ensure that it will be a more effective counter-terrorism force and a more publicly respected presence in the Moro areas of Mindanao and in the Philippines as a whole.

This chapter and the previous one have provided a synopsis of the mixed motives of the two sides of the peace process and the array of pitfalls facing the achievement of a sustainable peace. They have described how large a gamble deeper international engagement in the peace process would be. The final chapter will look at how the risks can be moderated and why the gamble is worth taking.

Chapter 4

International engagement

The earlier chapters of this paper argue that through the immersion of regional terrorists the Moro insurgency in Mindanao has changed in nature to become a greater international risk. Some sort of peace settlement is necessary if these risks are to be addressed successfully, but all the key players have mixed motives that will make peace difficult to obtain.

The less conciliatory MILF has taken power from its parent organisation, the Moro National Liberation Front. Together with the Abu Sayyaf Group, these groups are all cooperating and competing to speak for the Moro community. This splintering means that even if the peace process with the MILF is successful, 'echo insurgencies' are likely to continue to cause regional ripples.⁸⁴ Peace is now harder to achieve but to ignore Mindanao is to ignore the most important part of the regional struggle against terrorism.

International supporters of the peace process such as Australia are deepening their engagement with the peace process. The mixed motives of individual foreign supporters and the complexities of international coordination though add new, potentially destabilising elements. The foreign view of the peace process as a means of dealing with a regional terrorist haven is being super-imposed on Manila's view of

the process as an anti-insurgent one and the MILF's view of it as a means to advance Moro self-determination. Canberra and Washington are mainly interested in the conflict because of its links to Indonesian terrorist groups and Al-Qaeda. The Philippine government and the MILF are not.

The diplomatic and financial benefits the Philippine state is reaping from international engagement put pressure on it to publicly strive for a quick solution, despite its implausibility.⁸⁵ The history of the Moro insurgency and the 1992–1996 peace process suggest that a quickly cobbled together deal will simply extend the insurgency. Yet, Washington's \$30 million in funding earmarked in 2004 for the completion of the peace process is under threat from American impatience for results.⁸⁶ The peace process has been and will be torturous and drawn-out. It has not, cannot and should not live up to expectations for quick, comprehensive outcomes.⁸⁷

If managed properly, foreign counter-terrorism concerns in Mindanao and support for the peace process can be mutually beneficial with counter-terrorism support helping to weaken Mindanao's links to regional terrorism. Likewise, a successful peace process that does not fail at the implementation stage would provide the greatest guarantee that Mindanao would no longer suffer from civil war and the terrorist sanctuaries this war permits. Five foreign supporters are particularly involved in the present peace process and together have the potential to make a significant contribution to helping end the insurgency and its regional terrorism links. Yet their interests in Mindanao and in the peace process are far from uniform.

The United States

The United States is the largest, most important and most controversial of the foreign powers involved in the Mindanao conflict. The incorporation of the Moro insurgency into the global war on terror has bolstered Washington's relations with Manila and its interests in Mindanao. American engagement has focussed primarily on strengthening the AFP's counter-terrorism capabilities, yet the Americans have also

taken a keen interest in the peace process and in the longer-term modernisation of the AFP.

In 2002, American troops returned to the Philippines to support the AFP's pursuit of the Abu Sayyaf Group in Basilan province. The Pentagon started preparing for this intervention only weeks after September 11th. This was the first time since the colonial era that American troops have operated in Mindanao. On 7 October 2003, President Bush reclassified the Philippines as a 'major non-NATO ally', triggering a sharp boost in military assistance to the AFP and much warmer diplomatic relations. Bush's October 2003 state visit to the Philippines was the first such visit since the Marcos years.

The Philippine armed forces are now the second largest recipient in Asia of support from the Pentagon's International Military Education and Training (IMET) Fund after Indonesia. Foreign Military Funding (FMF) grew from zero in 1994–1998 to \$US19 million in 2002.⁸⁸ In 2005, IMET funds to the Philippines reached \$30 million. A major part of this renewed military support is assistance through the United States–Philippines Joint Defence Assessment to help professionalise the AFP and reorient it towards external defence. The assessment calls for a smaller, better trained and much better equipped outward-looking military.

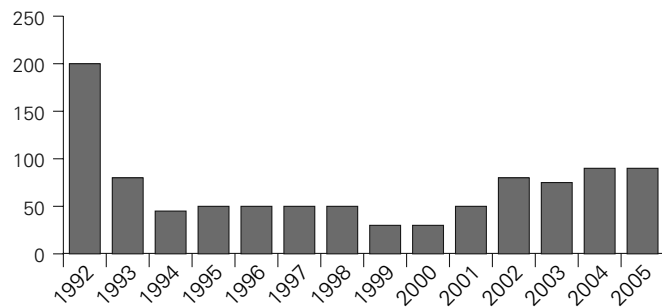
American development aid to the Philippines has also increased since 2001 and focussed more on the Mindanao peace process as shown below. However, it is still far below what the Philippines received before it closed the American military bases on its soil.

Of all the foreign countries involved in Mindanao, the United States has the greatest potential to deepen its engagement and is the only one with the legal capacity to deploy active troops in the Philippines. It is one of the few countries able to substantially increase its aid commitment to the Philippines without requiring a major rethinking of its overall aid strategy. Washington also has the greatest potential to put pressure on Manila directly and on the MILF indirectly. For example, so far, in line with the wishes of Philippine peace negotiators, the State Department has not classified the MILF as a foreign terrorist organisation. The fact that the Abu Sayyaf Group has been included

on the Foreign Terrorist Organization List (the Pentagon Gang has been included on the less stringent Terrorist Exclusion List) assists the MILF and the Philippine state in presenting the problem of resident terrorists in Mindanao and their growing number of attacks as a problem with the Abu Sayyaf Group.

Chart 4.1

American aid budget
\$ Million



Source: USAID (2005)

Washington has also increased its support for the peace process directly. Since mid-2003 an American think tank, the United States Institute of Peace, established and funded by Congress, has been a third-party observer in the peace process. This is the first time that the State Department has asked the Institute to take such an active role in a peace process. The Institute's three-person Philippine Facilitation Project has focussed on capacity-building in Mindanao and organising discussions with the MILF, Philippine state, and local groups on some of the key issues in the peace process such as ancestral domain. The Institute also helps keep the United States' Congress informed on progress in the peace process.

American leadership of the war on terror and its special relationship with the Philippines mean the United States has a deep interest in the problem. Yet, these very factors make its engagement the most controversial for the Moro community and Philippine nationalists.

Secretary of foreign affairs and ruling party stalwart Teofisto Guingona quit his portfolio in 2002 over the presence of American troops in Mindanao. America's leadership of the war on terror and the invasion of Iraq have also seriously damaged its image in the Islamic world making its involvement in any conflict with an Islamic element suspect. This makes it more difficult for other countries to join with the United States publicly in addressing these conflicts.

American officials, like their Australian counterparts, need to ensure that their support for the peace process is not publicly conflated with their counter-terrorism actions in Mindanao. Deeper engagement in the peace process should be visibly controlled by civilian government agencies. Many locals are skeptical of the motives behind the aid, suspicions deepened by critical local media coverage. The United States carries the most heft in the Philippines. Yet, it also carries the most baggage, historical and current.

Malaysia

In 2000, in the dying days of President Estrada's attenuated term, Vice-President Macapagal-Arroyo sent envoys to Kuala Lumpur to seek Malaysia's involvement in restarting the peace process after it collapsed due to President Estrada's 2000 'total war' strategy. In 2001, Malaysia became the official third-party mediator of the peace process and has been the main face of foreign engagement in the peace process with any peace deal likely to be signed in Kuala Lumpur. Malaysia's willingness to take on such an open-ended commitment was no doubt helped by the fact that Malaysia itself has suffered from the externalities of the Moro insurgency. In April 2000, the Abu Sayyaf Group kidnapped 21 people from the Malaysian resort island of Sipadan and brought them to Basilan.

Malaysia also heads the International Monitoring Team agreed to by Manila and the MILF to oversee the ceasefire. By the end of 2004, Malaysia had sent fifty peace monitors supported by ten from Brunei and four from Libya. In 2005, Malaysia showed its commitment to the peace process and the International Monitoring Team by rotating its fifty-member team. It rotated them again for another year in July 2006.

Malaysia is an important international supporter politically, as it is a member of the Organization of the Islamic Conference and ASEAN. Malaysian criticism of either negotiating side or of any element of foreign engagement would carry significant weight as would its approval. However, Malaysia's own past active involvement with the Moro insurgency and its unresolved territorial dispute with the Philippines over Sabah create, at least, the appearance of more mixed motives.

From its origins, the Moro National Liberation Front has had close ties with Malaysia and Malaysia is encouraging the unity talks between the MILF and the Moro National Liberation Front. Malaysia's links with the latter Front have a more problematic element to them as well. Sabah still plays host to the Islamic Command Council, a hard-line group that split from Misuari's Moro National Liberation Front in 1995 over the previous peace process. The Islamic Command Council has been linked to cooperation with foreign terrorists in Mindanao. It could be part of a potential spoiler scenario and Malaysian pressure may be needed to ensure command support for any peace deal with the MILF.

The Organization of the Islamic Conference

The Organization of the Islamic Conference has an important but secondary and uncertain role in the present peace process. As the main international voice of Islamic countries, the Conference carries quite a bit of political influence and has been deeply involved diplomatically with the Moro insurgency. This multilateral body was instrumental in the first three peace processes for its ability to play the role of honest broker willing to criticise Manila and to put pressure on the Moro National Liberation Front to make necessary compromises. Yet the Conference has no official role in the present peace process and it still recognises the Moro National Liberation Front, not the MILF, as the 'sole voice' of the Moro community. The Conference's main role in the present peace process is through its continuing role in overseeing the implementation of the 1996 Jakarta Agreement. It recently issued a report finding the first decade of implementation seriously wanting.⁸⁹

Nur Misuari is still respected by the Conference and has many strong backers within it which bolster his importance to the present peace process. Unity talks between the Moro National Liberation Front and the MILF may help the Organization of the Islamic Conference play a more central role in the present process as it could allow the MILF, through the Moro National Liberation Front, direct access to the Conference and recognition of their central role in the Moro community.⁹⁰ Such a prospect could also bring the Moro National Liberation Front more into the process. Unity talks would have to advance quite a bit before this became more than a faint prospect though. As long as the Conference continues to recognise the Moro National Liberation Front as the 'sole voice' of the Moro community, the Conference's role in the present process is likely to remain circumscribed.

Japan

Japan is not usually included in the list of significant foreign players in Mindanao. Yet, Japan is the largest bilateral aid donor to the Philippines, giving it leverage over Manila and the ability to commit substantial funds to the peace process. In 2001, Japan accounted for over half of all official development aid flows to the Philippines. In 2002, Prime Minister Koizumi announced a US\$400 million special aid program for Mindanao. Japanese officials also have long-standing working relationships with a wide array of Philippine government agencies which are central to the implementation of any peace deal. China's rapidly growing development aid relationship with the Philippines threatens to outstrip Japan's soon in total annual dollars.⁹¹ This should help maintain Japanese interest in being the lead aid provider to the Philippines given the rivalry for regional leadership between the two Northeast Asian giants.

In recent years Japan has become more directly interested in the present peace process and in developing Philippine counter-terrorism capabilities. The Japanese Self Defence Forces, as part of their regional counter-terrorism activities, have been working with the Philippine Coast Guard on border protection. In a sharp break with past policy, Japan has

agreed to supply Indonesia with three naval vessels to help address piracy and terrorism in the Malacca Straits. If Japan's own gradual but consistent shift towards a larger global security presence continues, Japan's role in Mindanao and its relationship with the AFP should continue to grow.

In mid-2006, Japan officially inquired whether Japanese officials could join the International Monitoring Team in Mindanao; a request welcomed by both Manila and the MILF. The head of the Japan International Cooperation Agency (JICA), Sadako Ogata, visited the MILF central command in September 2006 to discuss Japanese aid for projects to be administered through the Bangsamoro Development Agency. In October, JICA appointed Masafumi Nagaishi to join the International Monitoring Team to develop a needs assessment report on the conflict-affected areas.

Japan's request to join the International Monitoring Team led the Philippine state to clarify that the International Monitoring Team was not organised through the Organization of the Islamic Conference but through an agreement with Malaysia.⁹² Japan will become the first non-Conference contributor and could open the door to others. Sweden recently offered to contribute to the International Monitoring Team, offering a ten-man contingent.⁹³

Australia

Since the Bali bombings, the Australian government has deepened its commitment to Mindanao and the peace process as the immersion of regional terrorists in the Moro insurgency has become a pressing Australian national security concern. As with the United States and Japan, Australia's engagement appears to be growing and is focussed both on direct counter-terrorism concerns and on supporting the peace process. The 2006 Australian government's white paper on the future of the aid program clearly identifies the southern Philippines as one of the four areas of major concern along with eastern Indonesia, Papua New Guinea and the other Pacific island countries.⁹⁴ The southern Philippines is now defined as part of 'the arc of instability' to Australia's north and one harbouring foreign terrorists that have killed Australians.

On the counter-terrorism side, there has been much activity. The Australian Federal Police has stepped up cooperation with the Philippine National Police in line with its more forward role in the region and greater focus on counter-terrorism. A \$3.65 million joint counter-terrorism capacity-building program for the Philippine police headlines Australia's \$5 million Philippines Counter-terrorism Assistance Initiative announced by Prime Minister Howard in Manila in July 2003. During the 2004 national election campaign, Prime Minister Howard committed to doubling this amount.

The inaugural Philippine–Australia Ministerial Meeting held in August 2005 focussed mainly on counter-terrorism cooperation. After a visit to Mindanao in late 2005, then Minister of Defence Senator Robert Hill outlined Australia's counter-terrorism support for the Philippines. Recognising that the United States was the dominant foreign counter-terrorism partner, Australia has tried to tailor its approach to compliment the American program and to be more responsive to the interests and needs of the Philippine armed forces.

The three focal points of Australian counter-terrorism assistance should help the Philippine security forces deal with the problem of resident terrorists more effectively while minimising the potential for 'collateral (civilian) damage'.⁹⁵ Australia is working with the Philippine army to enhance its long-range reconnaissance capabilities including the provision of such things as night vision goggles. Australia will train up to 150 Philippine army personnel in counter-terrorism and maritime security operations in 2006, up from 70 in 2005.⁹⁶

Second, the Australian Defence Force has supplied 30 riverine boats with training support to help track down terrorists in sanctuaries such as the Liguasan marsh. The third and longest-standing focal point is to assist the Philippine navy and coast guard develop better maritime interdiction capabilities. However, the archipelagic nature of the Philippines and the extremely small size of both the coast guard and navy make this a daunting challenge.

Australia may become the first country other than the United States to ratify a status of forces agreement with the Philippines to open the door for greater involvement in Mindanao. Without this agreement, Australia

is limited to no more than 20 security officials working in training or advisory positions in the Philippines at one time. This strictly limits how much ‘on the ground’ training can be carried out and precludes the Australian troops from joining larger joint exercises with the Philippines and the United States such as the annual Balikatan exercises.⁹⁷

A status of forces agreement could deepen Australia’s military engagement in Mindanao and provide an unprecedented opportunity to strengthen Australian–American counter-terrorism understanding and interoperability. No other situation in the region offers such an opportunity. It is unlikely, however, that President Macapagal-Arroyo, given her compromised political position, can get the two-thirds majority in the senate needed to ratify such a treaty with a foreign country. The rhetoric surrounding the passage of the status of forces agreement mirrors that of the peace process as a whole. The agreement is consistently presented as just being around the corner without recognising how big a step this would be for the Philippines and how challenging passage through the legislative system would be even with a strong president in place.

Australia’s engagement in the peace process is witnessing a similar upward trajectory. Australia plans to commit millions of dollars to the peace deal implementation stage. AusAID’s Philippine country strategy addresses the Mindanao peace process more directly. The strategy includes an undetermined amount to be donated to the World Bank’s multi-donor fund for Mindanao once a peace deal has been signed. The total size of this fund, launched in March 2006 in Cotabato City, is programmed to be US\$50 million. Australia played a key supporting role in the implementation of the 1996 peace deal between Manila and the Moro National Liberation Front as the largest donor to the United Nations’ multi-donor fund set up to support this attempt at peace. It is now gearing up to play a similar role in any peace deal between Manila and the MILF. Japan and the United States have opted not to contribute to the multi-donor fund.

Up to now, AusAID’s development aid flows to the Philippines have not increased significantly, though they have been reallocated to focus on Mindanao and support for the peace process. 60% of Australian

aid money to the Philippines now targets conflict-affected areas in Mindanao. As with other donors, Australia has faced serious problems spending aid money in the Philippines because of the lack of counterpart funds from Manila.⁹⁸ The aid budget for the 2004 Philippine country program was still smaller than for Vietnam despite the Philippines now ranking second only to Indonesia in the list of counter-terrorism ‘countries of concern’.⁹⁹ In 2003, the aid budget for the Philippines shrank in real terms.

This apparent gap between rhetoric and practice is bound to narrow with the implementation of the 2006 Australian aid white paper. This document commits Australia to doubling its nominal aid budget by 2010 while narrowing the aid focus to Australia’s near north including the southern Philippines.

The large number of foreign supporters and their willingness to allocate millions of dollars to direct counter-terrorism concerns in Mindanao and to the peace process provides a unique window of opportunity for peace in Mindanao despite the challenges.

Policy recommendations

Foreign supporters must accept the secondary, supporting nature of their engagement. It is necessary but insufficient: it will have little input into core sovereignty issues such as ancestral domain and changes to political structures. Foreign supporters can certainly provide useful technical advice and good offices for these issues. For example, the Canadian government and Germany’s Konrad Adenauer Foundation have organised workshops on federalism in Manila that touched on how federalism might alleviate some of the grievances feeding the Moro insurgency.

Australia should maintain its policies of strengthening the AFP’s counter-terrorism capabilities and support for the peace process while not linking them too closely together publicly. International and Australian engagement should focus on four elements of the peace process with different foreign supporters playing the lead role in each. These four are:

- strengthening the institutional architecture of the peace process in preparation for implementation
- transforming the MILF
- the developmental program to support a peace deal
- AFP modernisation.

More planning should begin now on all fronts in case the present peace process does meet a deadline and catches us by surprise.

Peace process architecture

As noted in Chapter 1, the present peace process is the most complex. It needs to be strengthened with foreign funds and advice. The local monitoring teams for the ceasefire may be one of the most useful and cost-effective elements of the peace process. Yet, the funds for these teams are not guaranteed. Until 2003, these teams were funded through American aid but have since become dependent on monies from the Office of the President. Australia should offer to take over the funding of these teams to ensure their continued functioning. Likewise, the Bangsamoro Development Agency, if it is to act as the conduit for significantly increased development funds following a peace deal, needs to be institutionally enhanced or risk being unable to fulfill its new responsibilities.

More controversially, foreign supporters should consider more direct interventions into the peace process. The peace negotiating panel on the Philippine government side has suffered from often unplanned turnover of senior personnel.¹⁰⁰ Foreign funding for fixed contract positions for some senior positions on both negotiating teams may help reduce this turnover and add more predictability to the negotiations. Fixed contracts would also limit the dangers of negotiators becoming preoccupied with other concerns and would provide them with more operational autonomy. Confidence in the negotiators will be even more important during the implementation stage when a multitude of interpretation and execution problems and disagreements are likely.

Finally, along with the traditional development aid discussed below, foreign supporters of the peace process should consider direct political aid to help integrate it with the larger discussions of constitutional reform and parliamentary federalism in the Philippines. These two potentially divisive negotiations with profound national and Mindanao-specific ramifications are running in parallel but need to be integrated. The Jeddah Accord and the creation of the ARMM during the Aquino period was hamstrung by the lack of coordination between that peace process and constitutional reform. MNLF leaders were angry that they were not fully consulted on the drafting of the Organic Law which was part of the constitutional reform process that excluded the MNLF. Keeping the two processes separate greatly increases the potential for constitutional reform to upset the peace process as it did two decades ago. Integrating the two present processes is also key to helping find ways of addressing Christian Mindanao and Lumad concerns with the peace process.

In its white paper on aid, Australia has committed itself to directly supporting ways to ‘augment domestic demand for reform and accountability’ in Papua New Guinea to help address its severe governance problems.¹⁰¹ A similar bold step may be required for helping the governance problems in Mindanao.

Transforming the MILF

An important contribution foreign support can provide is also delicate — helping the MILF transform itself into an effective *unarmed* political force. If this transformation fails there will be no peace. The Moro National Liberation Front has never succeeded in turning itself into an effective regional political party with a permanent voice in national politics. This means that it has always been in a weak position in its dealings with the government and the national ruling party coalition. This lack of a political voice weakened Misuari’s authority and created strong incentives for local commanders to return to the gun to reassert their political interests ‘outside the system’. The latest elections in the ARMM where the president backed a non-MNLF slate clearly shows the shortcomings of this lack of transformation. The MILF needs to succeed

where its predecessor organisation failed to ensure the sustainability of any peace deal.

Foreign support for the development of a new political party can be dangerous, especially when many inside and outside the Philippines view the MILF as a terrorist organisation. Yet this transition is the lynchpin to a political solution to the Moro insurgency and to severing the links between the Moro insurgency and regional terrorism. Foreign support for the development of the MILF as an independent, mass-based political party with a national voice should only be considered after the MILF central command, through the Ad Hoc Joint Action Group, has shown its ability to sever links between MILF local commanders and regional terrorist groups and to bring the large majority of these commanders over to support a peace deal.

The United States Institute of Peace has already met with members of the MILF in its role as an official peace process observer. More of these links across the range of foreign supporters should develop over time. Islamic political parties from the Organization of the Islamic Conference member states like the Welfare Party (*Refah Partisi*) in Turkey, UMNO in Malaysia and *PKS* (Justice & Prosperity Party) in Indonesia could play an important role in assisting the MILF make this transition. Foreign financial and technical support for these engagements from Australian centres, such as the Centre for Democratic Institutions at the Australian National University and others would be useful.

Development aid

If foreign monitoring is a cost Manila and the MILF have to accept, then a foreign-funded development program for the peace deal is the *quid pro quo*.

The Philippine fiscal problems means that any development program to support a peace deal will need to be largely or fully foreign funded. This will be the largest cost of deeper engagement. In 1996, hopes and international support for the peace deal were backed up by a seemingly credible financial commitment by Manila to allocate massive sums of development expenditure to the ARMM.¹⁰² In 1996, the Philippines'

chronic fiscal condition was on the mend with the budget returning to a surplus, public debt declining, and tax revenues expanding. International financial institutions, and the Ramos administration, were proclaiming the Philippines as the next 'Asian tiger'. Even with these strong economic fundamentals as background, the Philippine government did not deliver on its financial pledges.

Today's fiscal picture is grimmer. The Philippines is back to being categorized as 'the sick man of Asia' on the financial crisis watch list. Since 1996, the Philippine fiscal situation has worsened with developmental expenditures suffering cuts. The Macapagal-Arroyo administration has slowed the death spiral but has not returned the Philippines to consolidated public sector surpluses.

Development aid is crucial to the early stages of a peace deal as it can provide concrete examples to affected communities of the benefits of the peace. The American development aid that came with its counter-terrorism activities in Basilan focussed on useful, quickly accomplished improvements to local infrastructure.¹⁰³ A larger, front-loaded aid effort focussed on smaller, quickly achieved targets could play a similar role this time. Counter-terrorism's focus on winning hearts and minds has bolstered foreign aid budgets and focussed aid efforts on these types of deliverables.

Reintegration

The most important element of the development program, and the hardest to keep transparent, will be the reintegration program for ex-combatants. The reintegration of former insurgents, militia members, and surplus government troops has proven the trickiest part of implementing peace deals around the world and the greatest threat to the early stages of implementation. Dissatisfied ex-combatants often lead efforts to scupper peace or transfer their skills to local crime bosses, undercutting local security and development.

The 1996 deal had no effective demobilisation or disarmament plan.¹⁰⁴ It did little to offer combatants a new, peaceful way of life or take away their tools of violence. With tens of thousands of MILF cadres, local militia members and Philippine soldiers involved in the insurgency, a significant

and well-planned reintegration strategy that can be quickly brought to bear after a peace deal is signed is essential. Mindanao's violent political culture and its long history of gun ownership suggest that complete disarmament would be a counterproductive policy goal. Disarmament programs can often prove destabilising to peace processes.¹⁰⁵

For demobilisation to work, a master list of MILF cadres and local militias needs to be compiled and agreed upon by both parties. If the demobilisation package is attractive and credible, it would be in both sides' interests to offer extended lists. This would mean that the substantial funding required for the demobilisation program cannot be strictly pre-determined and the funders of this program should expect bloated lists.

AFP modernisation

AFP reform will be a long-term component of a successful peace process and the one where the Americans should take the lead with strong Australian support. Helping the AFP develop its counter-terrorism capabilities to effectively root out the terrorist sanctuaries in Mindanao is an important stepping stone in this long-term and long-delayed process of modernisation. American support for developing battlefield medical evacuation capabilities is an important contribution to strengthening these capabilities. If the Philippines and Australia are successful in ratifying a status of forces agreement, Australia will be able to enhance its 'on the ground' training of the special forces' predator capabilities.¹⁰⁶

The involvement of the Moro insurgency in the global war on terror has actually aided the drive to reform the AFP directly as well. First, foreign concerns with the Moro insurgency focus on its links with regional terrorism, which helps renew the Philippines' focus on external defence and regional security. For example, the technical support provided by Australia and Japan for the Philippine navy's marine interdiction capabilities is helping the Philippine navy's external defence capabilities.

Second, beyond enhanced counter-terrorism training, Washington has recommitted to supporting a more thorough reform of the AFP more

in line with the long-delayed 1988 modernisation plan.¹⁰⁷ This includes assistance in establishing proper maintenance and accountability standards and providing useful intelligence to the Philippine government on AFP corruption.

Active, sustained American engagement in AFP modernisation is the key to ensuring that it can override political resistance in Manila and from within the AFP. American funds and its mutual defence treaty gives Washington an unparalleled opportunity to use its counter-terrorism interests in the Philippines to push for wider ranging AFP reform. While public American participation in counter-terrorism efforts in Mindanao may be politically complicating, American involvement in AFP modernisation can help clear away political hurdles. The United States is the only foreign supporter with the funds and diplomatic influence to really push this reform effort. This should be the main long-term focus of the American support for the Mindanao peace process and it should continue to be supported by Australia.

Summing up

The direct links between the Moro insurgency and regional terrorist atrocities have redefined the nature of the insurgency regionally and globally. Mindanao now is a front line in the war on terror and foreign interest is at an all-time high. At the same time, the fragile peace process between the Philippine government and the MILF is showing some signs of progress including addressing counter-terrorism concerns. The 1996 peace deal and the ups and downs in the present process shows how difficult it will be to find a sustainable solution to the Moro insurgency and the great costs and risks associated with trying. Deeper foreign engagement is necessary to lessen these risks. Foreign supporters must prepare themselves for a long-term commitment with very uncertain outcomes. They must ensure that their engagement, while advancing their own national security concerns, addresses the mixed motives bedeviling the peace process and Muslim Mindanao's place in the Philippines in general and does not add to them. Such involvement is a gamble worth taking. It is time to help shift the odds in favour of peace.

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⁶⁰ The partition of South Cotabato in 1994 led to the creation of Sarangani province.

⁶¹ Jacques Bertrand, Peace and conflict in the southern Philippines: why the 1996 peace agreement is fragile. *Pacific Affairs*, Vol. 73 No.1, 2000. pp 37–54.

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⁶⁵ Datumanong is a former Macapagal-Arroyo cabinet member and an established ally. However, there is no doubt that his loyalty and zeal in ensuring the impeachment process delivered the correct (for the president) result were reinforced by his nephew's rise from local mayor to regional governor.

⁶⁶ Richard J Kessler, *Rebellion and repression in the Philippines*. New Haven, Yale University Press, 1989.

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- ⁶⁹ Anthony Vargas, Southcom broken down into 2 separate commands. *The Sunday Times (Manila)*, 27 August 2006.
- ⁷⁰ Presidential Decree 1769, 12 January 1981. The positions of Vice and Deputy Chief of Staff also carry a three-star rank, making six in all.
- ⁷¹ Ironically, the growing importance of combat command for promotion since 1998 is also due to improved political stability in Manila. Until the end of the Fidel Ramos administration, AFP chiefs of staff tended to be appointed for their loyalty during the turbulent post-Marcos transition period, marked by frequent coup attempts in the capital – well away from the Mindanao front-line. The determining role the military played in President Estrada’s removal and their support for President Macapagal-Arroyo during her own impeachment crisis though may have weakened this link between combat command and promotion. President Macapagal-Arroyo’s first Secretary of Defense was Angelo Reyes, President Estrada’s chief of staff who withdrew his support for President Estrada and joined Vice-President Macapagal-Arroyo. Reyes also led Estrada’s ‘all-out war’ in Mindanao in 2000.
- ⁷² About 900,000 civilians were displaced by the fighting in 2000, and up to 400,000 in 2003.
- ⁷³ Renato Cruz De Castro, The dilemma between democratic control versus military reforms; the case of the AFP modernisation program, 1991–2004. *Journal of Security Sector Management (Asian Special Issue)*, 2005.
- ⁷⁴ Cited in Doug Bandow, Instability in the Philippines: a case study for U.S. disengagement. *Foreign Policy Briefing No. 64*, Washington, Cato Institute, 21 March 2001.
- ⁷⁵ PAF retires aging fleet of F-5 fighter jets. *Manila Bulletin*, 2 October 2005.
- ⁷⁶ De Castro, *The dilemma between democratic control versus military reforms; the case of the AFP modernisation program, 1991–2004*.
- ⁷⁷ Noel M Morada and Kit Collier, The Philippines: state versus society?, in *Asian security practice: material and ideational Influences*. Muthiah Alagappa (ed.), Stanford, Stanford University Press, 1998.
- ⁷⁸ R J G Quilop, The political economy of armed forces modernization. *OSS Digest*, 2003.
- ⁷⁹ Republic Act 6975 (1991) demilitarised the Philippine National Police and gave it the lead internal security role. This role was returned to the AFP

- in 1998 as Muslim and Communist insurgencies failed to abate. RA 7898 (1995) called for a US\$13 billion overhaul of the AFP to equip it for an external defence role after the closure of American bases in 1992. The Asian crisis of 1997 scotched these plans.
- ⁸⁰ Bandow, *Instability in the Philippines: A case study for U.S. disengagement*.
- ⁸¹ Quilop, *The political economy of armed forces modernization*.
- ⁸² See Gregg R Jones, *Red revolution: inside the Philippine guerrilla movement*. Boulder, Westview, 1989, pp 59–69.
- ⁸³ Romer S. Sarmiento, Government moves to exclude Murad from bomb raps. *Philippine Daily Inquirer*, 19 October 2006.
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- ⁸⁶ Early deployment of peace monitors in Mindanao sought. *Manila Standard*, July 19 2004; Fels V Maragay, Palace wants deadline on peace talks with MILF. *Manila Standard*, 7 August 2004.
- ⁸⁷ Barbara Mae Dacanay, Manila, Moros hold exploratory talks in Malaysia. *Gulf News*, 18 August 2004; Valisno, *Arroyo eyes peace pact with MILF by December*.
- ⁸⁸ Manny Mogato, US to extend Philippine military training. *Reuters*, 1 March 2004.
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- ⁹⁴ *Australian aid: promoting growth and stability*. Canberra, AusAID, 2006, especially chapter 4.
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- ¹⁰² Bertrand, *Peace and conflict in the Southern Philippines: why the 1996 peace agreement is so fragile*.
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