On an official level, relations between the United States and the Philippines are stronger than any time in the period after the US withdrew its bases in 1991. Among Southeast Asian leaders, Philippine President Gloria Macapagal-Arroyo and her government have provided the most vocal and high-profile support for the US war against terrorism, as well as the war in Iraq. President Arroyo has been energetic in her attempts to organize her counterparts in the region to improve cooperation on counter-terrorism. In return, Washington has bestowed special status on Manila – that of a Major Non-NATO Ally – and made the joint Balikatan (“Shoulder-to Shoulder”) exercises the flagship initiative of US counter-terrorism policy in the region. In recent weeks, US defense officials who have floated trial balloons on the realignment of American forces in Asia, to increase forward bases and strengthen mobile strike capability, have included the Philippines as a possible venue in the plan.

On a broader plane, however, US-Philippine relations are far more complicated, and the success of the joint effort to combat terrorism is by no means assured. At several intervals in the past two years, President Arroyo’s stock has been higher in Washington than in her own country. Her announced intention not to run for a second Presidential term in 2004 raises questions about the sustainability of this new phase in the bilateral relationship. Over the past two years, Arroyo has had to steer a difficult course between support for Manila’s longstanding ally in the face of domestic concern about threats to Philippine sovereignty with the presence of US troops in the joint exercises, as well as domestic opposition to the Iraq war. If Washington presses a case for the return of American bases, even in a much smaller and more flexible form, Arroyo may well have to contend with an even greater domestic firestorm.

Although the first Balikatan exercises to focus on counter-terrorism, in 2002, were judged to be moderately successful, negotiations on the 2003 exercises are at an impasse. Moreover, if joint US-Philippine efforts do succeed in eliminating the Abu Sayyaf Group, the target of the Balikatan maneuvers, it is not clear what effect that would have on reducing extremism in the Philippines. Arguably, that goal turns on Manila’s ability to bring the larger and more politically-oriented insurgency group, the Moro Islamic Liberation Front (MILF) to heel, or to accord.

More generally, as long as the conditions which have encouraged extremism and terrorism – economic disparities, ineffective law enforcement, and widespread corruption – remain at significant levels, new militants will replace those who have been co-opted or eliminated. With these vulnerabilities, countries such as the Philippines are likely to be
soft spots for terrorism in the region and to attract foreign extremist funding and activity. Although the US counter-terrorism policy recognizes the existence of these “root causes,” it has never focused on them to any extent. Instead, policy has tended toward a fire-engine approach, preventing acts of terrorism or apprehending those who succeed in perpetrating them. To be sure, short-term measures to stem terrorism are obviously needed, but US policy has yet to strike an effective balance between short-term and long-term measures. If President Arroyo has been the champion of US counter-terrorism policy in Southeast Asia, she has also been the most vocal in reminding her allies in Washington that these underlying issues, primarily economic development, are as important as military exercises and intelligence-sharing.

Sources of Extremism

Filipino Muslims, also known as Moros, have nurtured a sense of separatism for most of their history in the Philippines. Three hundred years of Spanish colonization brought most areas of the Christian population under control, but the Spanish were never able to assert broad governance over those areas of the southern Philippines that were host to the slim percentage of Muslims. (For much of Philippine history, Muslims represented 4-5% of the population, but that has recently risen to 7-8%.) When the United States assumed control of the Philippines after the Spanish-American War, some of the fiercest rebellions came from Moros in Mindanao at the turn of the twentieth century. Indeed, countering these insurgencies represented the first US military intervention in an area that was predominantly Muslim. When the Philippines gained independence in 1946, Muslims continued their separatist struggle, this time against Manila.

Despite this long history of separatist sentiment, Filipino Christians and Muslims alike trace current frictions and internal conflict over Muslim separatism not to religious differences, but to economic inequities. Specifically, resettlement policies in the 1950’s encouraged Filipino Christians to migrate from over-crowded Luzon province to Mindanao, where Muslims comprised a majority of the population and owned approximately 40% of the land. Both the Muslim percentage of the population in Mindanao and their land holdings there shrank significantly as Christian Filipinos became the majority in Mindanao and gained a solid preponderance of land. Those provinces of Mindanao which have significant Muslims populations are still among the poorest in the Philippines.

By the 1970’s, the economic impact of this transmigration trend was widely felt among Muslims in the Philippines and a Muslim separatist group, the Moro National Liberation Front (MNLF), arose to challenge Manila’s rule in Mindanao. At its height as an insurgent force, the MNLF had 60,000 combatants. Already subject to the insurgency of the communist New People’s Army (NPA), Mindanao became a busy battlefield. The separatist goals of the MNLF were reinforced in the late 1970’s and 1980’s by the global wave of Islamic fundamentalism, in the wake of the Iranian revolution, and the participation of Philippine Muslims in the mujahidin, fighting the Soviet Union in Afghanistan. As with Muslim populations in a number of other Southeast Asian countries, the mujahidin was a de facto international training academy for extremists, some of whom adopted terrorist tactics.

Over a twenty-year period, the MNLF and Manila waged internal war but gradually came to accord, and a peace agreement was signed in 1996. Several years
before, as it became obvious to Filipino Muslim radicals that the MNLF was prepared to consider Manila’s offer of autonomy, fundamentalist groups split from the MNLF. The most significant of these was the MILF and the Abu Sayyaf. However, six provinces with Muslim populations voted to become the Autonomous Region of Muslim Minadanao (ARMM), under MNLF political control. Approximately 25,000 MNLF combatants were demobilized under a Philippine government program, with economic assistance from the United States. This swords-into-ploughshares program provided agricultural inputs and training to enable insurgents to become farmers. However, the “peace dividend” —the larger package of economic assistance that the ARMM expected from Manila—has been slow to come, causing discontent and disillusionment. Moreover, the factionalism which has characterized the Filipino Muslim community for centuries did not prevent further splits in the MNLF after the 1996 accords were signed. In 2001, 600 MNLF factionalists loyal to outgoing ARMM governor Nur Misuari attacked military and police outposts on Jolo island. A calmer and more unified face has been restored to the MNLF under the leadership of the present ARMM governor, Farouk Hussein, but the potential for future incidents of violence from the MNLF cannot be ruled out.

Beyond broad-based economic discontent and continued tensions, further misery has been visited upon Mindanao with the large number of internally displaced persons (IDP) that conflict has created. In 2000, a major offensive against the MILF under President Estrada’s direction resulted in nearly 1 million IDP’s. Although most of these have been returned to their homes or resettled, new crops of IDP’s are constantly created with insurgency and counter-insurgency campaigns. Recent data indicates that more than 300,000 people have been displaced since January.

**Balikatan and the Abu Sayyaf**

There is broad consensus, between Manila and Washington, and in the Philippine population, that the best and only way to deal with the threat presented by the Abu Sayyaf in the southern Philippines is to eradicate the group. The Philippine government has made clear that its only approach to the Abu Sayyaf is a military one, and the campaign to eliminate the group has thusfar reduced its strength from approximately 2000 in the mid-1990’s to one-tenth that number today. Although the Abu Sayyaf had originally claimed a fundamentalist following and espoused the goal of a separate Islamic state for the Philippines, in recent years its actions have been directed primarily at securing monetary profit — usually through kidnapping for ransom — rather than political objectives. The brutality of the Abu Sayyaf, which has often included the beheading of victims, has been applied to Filipinos as well as foreigners; in the most literal sense of the word, the Abu Sayyaf is a terrorist group. Although there are reports of contact between the Abu Sayyaf and the other insurgent groups in Mindanao, and a history of early funding from Al-Qaeda, the group is viewed as a criminal gang rather than an element of the political Islam movement in Southeast Asia. The MNLF and the MILF have disavowed the Abu Sayyaf.

Despite these distinctions, and the small size of the group, the joint efforts of the Armed Forces of the Philippines (AFP) and US military advisors to date have not been able to eliminate the Abu Sayyaf. The results of the 2002 Balikatan exercises are an example of one frustrating aspect of counter-terrorism: a hard military push against a terrorist group may succeed not in eradicating the group but in dispersing it. The 2002 maneuvers were largely successful in removing the Abu Sayyaf from Basilan, but many operatives were able to slip into Jolo and other terrorities in the south. And while the
campaign can claim the elimination of some Abu Sayyaf leaders, possibly including Abu Sabaya, a senior leader and spokesman, the group is thought to have replenished its numbers as it has relocated. The eradication of the Abu Sayyaf is more likely to be a matter of lingering extinction -- gradually shrinking its size and geographic range -- than a resounding victory.

Several factors have enabled the Abu Sayyaf to survive. Geography – the terrain of the southern Philippines, as well as the large number of islands for escape – are on the insurgents’ side. Although there is less information about recent links with Al-Qaeda, the Abu Sayyaf may still retain some of its foreign paymasters. As with both the MILF and the NPA, the Abu Sayyaf can easily find arms in the thriving illegal small arms trade in Southeast Asia. These arms derive from several sources. Half of the illegal small arms circulating in the region are left over from the Cambodian civil war, with another large portion recycled from the 1980’s war in Afghanistan. Infusions of new arms are readily available from factories in southern China and transferred into Southeast Asia through several new trade routes which have been forged as economic and political relations between China and the region have expanded dramatically in the past decade.

Another complication in the campaign against the Abu Sayyaf has been the role and image of US troops in the joint exercises. Although the Balikatan exercises are an extension of several cooperative efforts which have arisen since the US and the Philippines signed the Visiting Forces Agreement in 1999, Balikatan 2002 was the longest exercise (six months) and the first to take place in a combat zone. The 2002 maneuvers had a positive impact in Basilan province in some ways beyond expelling the Abu Sayyaf; in particular, the civic action component was well-received. However, an attempt in early 2003 to move the exercises to Jolo and to upgrade the role of US troops to enable them to engage the Abu Sayyaf in combat backfired. Jolo was the venue for anti-American rebellions during the American colonial period in the Philippines, and nationalist sentiments there were further stirred because Manila had not consulted with local leaders in planning the new exercises. The matter also suffered from poor coordination between Washington and Manila, making Manila appear have reneged on a prior agreement, while Washington was perceived as trying to strongarm its way past the Philippine constitution, which forbids the presence of foreign combat troops without formal consent of the Senate. Admiral Thomas Fargo, commander of US troops in the Pacific, has recently announced that the commencement of new exercises will be delayed to the end of the year. This will allow for some training of AFP forces will the two sides attempt to try upon the rules of engagement for the new exercises.

Fighting and Negotiating with the MILF

As the US and the Philippines have joined forces to address the threat of the Abu Sayyaf in the southern Philippines, focus has also intensified on the Moro Islamic Liberation Front. Here the differences between the MILF and the Abu Sayyaf are greater than the similarities. Although the MILF has also resorted to the use of terrorist tactics, and is widely considered to have been behind the recent bombings in Davao, it retains its original political goal of a separate Islamic state for Filipino Muslims. Its combat strength is much greater, with an estimated 10,000-12,000 insurgents, and is considerably better armed than the Abu Sayyaf. At the same time, the MILF is more established in the landscape of the southern Philippines. Road signs point the way to
Camp Abu Bakkar, the MILF stronghold, and the camp even receives regular mail service.

The Philippine government’s approach to the MILF is three-pronged. It is attempting to negotiate with the group while maintaining surgical strikes against it to weaken the MILF’s military position or retaliate for terrorist acts. In addition, Manila is seeking to offer economic development to some MILF areas, having learned through its experience with the MNLF that waiting until a peace agreement is in hand to address economic issues only weakens its position with the Muslim population in affected areas. However, these three objectives are difficult to balance at any given time. At present, the military side of Philippine policy is ascendant, and some Filipinos worry that it is exacerbated by the stronger security relationship with the United States. This is abetted by Manila’s occasional references to the possibility of designating the MILF as a terrorist organization, and an apparent drift in US policy toward greater attention to the MILF, if only in rhetoric. These developments, although incremental, raise questions of whether US-Philippine counter-terrorism cooperation will shift its primary focus to the MILF, and make the military option the central thrust of policy.

This growing fear, as well as the recent bombings in Davao, have affected the course of negotiations with the MILF. In 2001 a ceasefire was achieved, and in 2002 the MILF and Manila reached an agreement in principle on an economic and humanitarian framework for peace accords. However, the momentum in negotiations has slowed considerably in recent months. Malaysia has offered itself as a mediator, and both the MILF and the Arroyo government have welcomed this third party intervention. However, although Malaysia has legitimacy as a broker with the MILF, the top levels of the AFP do not fully accept it. In addition, the two sides cannot agree on a legal framework for negotiations. Manila insists that any agreement must adhere to the Philippine constitution, while MILF insists that it be based in international law.

Beneath these obstacles are three unanswered questions about the nature and ultimate objectives of the MILF. First, what are the implications of the group’s links to foreign extremists, regional Muslim militants, and the international terrorist network? In recent years, numerous claims of MILF connections with the Jemaah Islamiyah (JI), Southeast Asia’s homegrown terrorist network, have been asserted. Attention in the past few weeks has focused on training camps for JI terrorists operated by the MILF in the southern Philippines. Until the arrest of several JI leaders in Singapore in 2002, the broad assumption in Southeast Asia was that extremist causes were rooted in local grievances rather than transnational fundamentalism. This is true to some extent, but as evidence of linkages between Southeast Asian groups and foreign terrorists is revealed, it is clear that the degree of linkage had been underestimated. In many instances, these groups share common funders, arms sources and even training exercises in which “best practices” are shared. It is not clear, however, the degree to which groups such as the MILF share the worldview and political objectives of international jihadists, especially those from the Middle East. For example, the MILF is not avowedly anti-American, and did not view September 11 as a triumph for the Islamic world.

A second critical question is whether the political objectives of the MILF can be turned from independence for Filipino Muslims to autonomy within the Philippine nation. In this respect, the MILF may presently resemble the GAM in Aceh more closely than the MNLF. In its negotiations with the MILF, Manila cannot offer it more than was granted to the MNLF. The direction in which the MILF may go on this issue is likely to depend upon
a number of factors: how influential the broader Islamic secessionist movement in Southeast Asia, led by the Jemaah Islamiyah is; whether the MILF is further radicalized by fighting with Manila; and how factional struggles and generation gaps within the MILF will affect its negotiating position.

A third question relates to this last issue, of growing factions within the MILF. The older generation of leaders is reputed to be tiring of battle and more amenable to idea of a peace dividend than are younger members. At the same time, the MILF leadership appears to be losing control of its forces. The dilemma, and the choice, for Philippine and American policymakers is whether to treat the MILF as a monolith, or as a more porous group which could be split. This tendency to splinter is both a drawback and an opportunity for counter-terrorism policy. On the one hand, it holds out the possibility that segments of the MILF could be persuaded to enter into a peace agreement. On the other, it raises the possibility of further splintering as radicals contingents continue to break off. This could leave Manila, and its main ally, in the position of conducting counter-insurgency campaigns in the southern Philippines well into the next decade.

Policy Issues and Possible Steps

Although some issues related to extremism in the Philippine Muslim community are still to play out, Washington and Manila face a number of issues and choices in policy that should be discussed at the present time. The most pressing of these for US policy are:

1. **How to conduct the Balikatan exercises in an effective manner that will significantly reduce the impact of the Abu Sayyaf, without alienating the communities in which they have taken refuge.**

   Beyond Muslims in the south, greater attention should also be given to the broader Philippine domestic population. Casual public references to changing the role of US troops, and even to returning US bases to the country, have an incendiary effect. A more extensive and open-minded diplomatic effort, accompanied by greater dialogue with the Filipino public, is essential for US policy.

2. **Where to draw the lines for present US policy toward the MILF.**

   As tempting as it might be in broader counter-terrorism policy to take a more frontal approach, the US should maintain an indirect role, particularly in Manila’s efforts to negotiate with the MILF and to address economic issues in the group’s main territories. Specifically Washington should avoid a policy that would place US troops in confrontation with the MILF, even as advisors. The US should take an active role in promoting negotiations for a peace settlement with the MILF, but should not seek to act directly as a broker between the parties. During the Arroyo state visit to Washington last month, the US pledged $30 million support for a peace plan with the MILF, on the condition that the group renounce terror. In principle, this is a good start.
3. **How to maintain support to the Autonomous Region of Muslim Mindanao as strategies to address the Abu Sayyaf and MILF become more central to US policy.**

Counter-terrorism policy tends to focus on the crisis of the moment. It would be a mistake to assume that issues relating to the MNLF have been fully resolved, and that the ARMM is on an automatic track to success. Continued attention, and economic assistance, to the ARMM is important for two reasons. First, it is will guard against backsliding and future splintering and radicalization of the MNLF. Second, an autonomous MNLF region which is clearly thriving can serve as a general (but not exact) model for an autonomous region under MILF leadership.

In this respect, both official US government assistance, through USAID, and programs administered by respected American non-governmental organizations, are needed. USAID’s Growth with Equity for Mindanao (GEM) program has gained some traction in the south. NGO groups have demonstrated an ability to address sensitive issues in Mindanao. The Asia Foundation conducts a comprehensive program there, ranging from improving local governance to countering corruption and strengthening the legal and judicial systems. One example is the Foundation provides support to local groups which conduct community education on the Code of Muslim Personal Laws.

At the same time, US and Philippine policy will have to tailor a future Program with the MILF to changing circumstances. For example, although the AFP was able to incorporate 7,000 MNLF combatants into the Philippine military and police forces, it does not presently have the capacity to re-integrate MILF forces. A policy decision from Manila will be required, either to enlarge AFP capacity or to convert the MILF insurgent force wholesale into the local agricultural sector. Neither option will be easy.

4. **Whether to take a wholesale or incremental approach to the MILF.**

The Arroyo-Bush ultimatum to the MILF – that it renounce terrorism before negotiations resume and economic assistance is provided, again raises the issue of the benefits and drawbacks of splintering. If MILF leaders are prepared to make such a declaration, they would likely not be able to guarantee that elements of the group will not break off and maintain their separatist aims and their terrorist tactics. Such a policy may demand control that MILF leaders no longer have. In that event, it may be best to work with a critical core of the group willing to negotiate. This policy would require making a deliberate distinction between separatists and terrorists, one that seems to have blurred recently in both US and Philippine policy. It would be based upon the assumption that separatists may employ terrorist tactics, but that all separatists are not necessarily terrorists.
There are reasons to be optimistic that the views and needs of Filipino Muslims can be incorporated more effectively into Philippine domestic policy, as well as US policy toward the Philippines. Doing so would make a major contribution to curbing terrorism in the Philippines. However, this prospect carries with it the need to view the Philippines from the perspective of its individual strengths and problems, whatever evidence of connections to international extremist groups might exist or be uncovered.