On the Edge of Escalation: How US Development Policy Deals with the Political Economy of War in Mindanao

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ABSTRACT. Development policy is one of the most important instruments used by the core states of the world system in pursuit of national interest. This article examines the development cooperation between the governments of the United States and the Philippines in the conflict-affected regions of Mindanao. Although the present United States Agency for International Development (USAID) programs in Mindanao started in 1997, it is barely possible to make out sustainable positive effects in the sense of a potential disintegration of the war system. Consequently, such international political-economic intervention is considered risky, because its long-term results are not predictable in a systemic context.

KEYWORDS. conflict economy · development policy · Mindanao · USAID · war systems· world system analysis

INTRODUCTION

Development policy is usually constructed at the point where factors (force, culture, law, and economy), described by Rokkan (1999, 122) as “primary elements,” intersect. However, an economic and sometimes political approach that cannot reflect the full dimension of the ongoing processes dominates development policy research, as well as development research in general. Indeed, this analytical misconception may find its roots in the misinterpretation of the concept of development itself, as mentioned by Sachs (1992) and others. Nonetheless, this is not a justification for such a dead-end. In an attempt to contribute to the evolvement of an analytical design that is able to cope with the complexity of the process, this paper will try to link United States (US) development intervention in Western Mindanao in a holistic
interpretation of international political economy as presented by world system analysis. Although world system research has become rather unfashionable within the academic community of late, it nevertheless offers a promising guide in understanding a global reality, especially in combination with concrete and testable approaches.

This article builds on the concept of war systems, a political-economic tool useful in analyzing protracted conflict situations such as the war in Mindanao, and attempts to answer the following questions: What is the makeup of the Mindanao war system and what are its specific characteristics? What form does US development intervention in Mindanao take and how is it interfering with the war system? What are the consequences of such involvement for the regional setting?

**A War System’s Makeup**

Three key conditions characterize a war system: the failure of state institutions to mediate or arbitrate conflicts, the ability of the parties to establish a “positive political economy,”1 and a balance of forces between the antagonists (Richani 2002, 3-4). Institutional failure ranks first among these elements. However, it is important to investigate this assumption carefully, since the state can be misconstrued as a monolithic political actor. Richani’s suggestion is to understand the state within a dynamic Gramscian concept, in which the definition of the state is not limited to its institutions; rather, it includes various “social formations”—the political structures within the “civil society” (see Cox 1993, 51).

This concept becomes especially important in investigating the historical makeup of the social construct called “state.” In this regard, the supposed problem in the expression “institutional failure” is the implicit assumption that those institutions had been functioning at least at some point in the past. Certainly, this is not necessarily true, especially in the periphery of the world system. Comparative research on the issue of state failure concludes that what we now have is a common picture of states rather than any existing state reality. Since the Westphalia treaty, sovereignty has been understood more as a concept from the outside rather than a description of a status level of internal control of the so-called “sovereign states.” This is especially correct for those states whose sovereignty is rooted in a postcolonial context; the key question here is whether many of the new sovereign
states in the twentieth century have ever existed, rather than why they are failing now (see Milliken and Krause 2003, 11). There is no empirical doubt that the lack of institutional strength is an immediate consequence of the postcolonial situation—rooted so deeply that even democracy cannot offer a solution (Douma 2003, 198).

Rokkan (1999) argues, “the latecomers were not only late in achieving sovereign status, they were left with only a minimum of time to build up their institutions before they were faced with disruptive pressure from outside as well as from inside” (134). According to his concept, the formation of the European nation-states has evolved as a process of penetration from centers into their peripheries, characterized by four time phases: penetration, standardization, participation, and redistribution (Rokkan 1999, 132). Phases one and two indicate the immediate process of penetration, while phases three and four constitute a process of internal restructuring that builds up on this penetration.

While these phases have taken place over centuries, newly independent postcolonial states had to go through this process within a matter of years, even though they do not have the resources. Therefore, while phase one was, in most cases, fulfilled by the colonial powers, and phase two by movements of national unity or national liberation, phases three and four could not be traversed due to the weakness of the new elites in the context of the four “primary elements.” They were mostly unable to establish any kind of hegemony in the national frame from the start.

This has significant implications on an international scale. Since “the stronger the state machinery, the more its ability to distort the world market in favor of the interests it represents” (Wallerstein 1979, 61), there is no chance for the peripheral states to accumulate the resources necessary to provide the public goods internally by their own means. Furthermore, core states—often in contrast to their policy agendas—have no structural interest in strengthening the state in the periphery. In the context of the North-South cleavage, they are using “an iron fist, if once in a while enclosed in a velvet glove” (Wallerstein 2003, 281). In development policy terms, the “iron fist” could refer to structural adjustment programs, which are undermining any attempt to provide some fundamental kind of redistribution while shifting responsibility for such provision to international development aid, and therefore, paradoxically, further discrediting state legitimacy.

The elites in the respective peripheral states have two scenarios that define their scope of action: either they are able to establish hegemony—
among themselves and their factions and within the social structure of the state—or not. While the second option paves the way to a crisis and a destruction of what Migdal (2001) calls “overarching hegemony”\(^2\), the first option is the preferred choice not only for the peripheral elites, but also for the core regions of the world system. Here, the tactical options range from development dictatorships, such as in Latin America during the 1980s, to what Rocamora and others have called “low-intensity democracy” (see Gills, Rocamora, and Wilson 1993).

In his study on the political shifts of US intervention in the Philippines, Chile, Nicaragua, and Haiti, Robinson (1996) draws the conclusion that the policy of “democracy promotion,” which pushes for such a low-intensity democracy system—which referred to as “peripheral polyarchy”—emerged in the 1980s and became dominant in the 1990s. The shift could be explained mainly by economic factors: “The tendency towards peripheral polyarchy, corresponding to the emergence of a global economy, appears as a variant of polyarchy which tends to take hold as capitalist production relations fully penetrate and become consolidated in the peripheral, semi-peripheral, and underdeveloped regions of global society” (Robinson 1996, 363).

Although democracy remains ideal compared to dictatorial regimes, low-intensity democracy, such as in the Philippines, guarantees neither peace nor optimum conditions for a legal market economy. This is explained by the simple fact that despite the state’s elites’ agreement to a formal democratic system (often evoked by international or internal social or political pressure), they are not able to transform their self-interests into a joint effort in order to establish hegemony within the political system. This leads to a situation “where systemic human rights violations remain a permanent feature of the political landscape” (Robinson 1996, 363). Moreover, it is also not beneficial to the creation of conditions that would resolve ongoing internal conflicts; in most cases, it actually paves the way to a new outbreak.

**Mindanao’s War System in the Context of the Philippine Nation-State**

Despite the wealth of exceptional studies that have been carried out on the emergence of the Mindanao conflict, the current situation in Western Mindanao and the economic factors of the ongoing conflict remain uncertain (see Abinales 1998, 2000). In explaining Mindanao’s
war system, this paper for the most part refers to available sources and studies. It focuses primarily on drawing some important conclusions and highlighting indispensable elements of a system that is far from being satisfactorily explained. Therefore, some of the points made are nothing more than questions for further research. This section builds on the three key elements referred to by Richani (institutional failure, positive political economy, and balance of forces) and examines their significance in the Mindanao context, as far as the above-mentioned limitations allow.

**Institutional failure**

Richani (2002, 11) emphasizes that conflict over land and the inability of state institutions to effectively solve the issue are the main causes for the outbreak of internal conflict in Colombia. To a certain extent, this is also true for the Philippines, where the unsolved land property issue is responsible for the current impasse in the economic situation (Bello et al. 2004). However, the situation in Mindanao is special. Penetration, first by the US colonial power followed by the central regions of the state, led to a conflict over the perception of property and property rights (see World Bank 2003). While the private ownership of land, through application and awarding of land titles, was not practiced among the indigenous Muslim communities, where local datus had the function of administrators, the US colonial administration started to expropriate the land to form large agricultural plantations. By 1912, the Americans owned 66 of 159 large plantations (which are over 100 hectares), while the Filipinos—mostly Christian settlers—occupy only 39 (Concepcion et al. 2003). The American farmers were never interested in involving the local Muslim population in the commercially successful plantation business (see McKenna 2000, 115).

The independent Philippine state continued this policy of de facto expropriation. The so-called “ancestral land policy” declared everything where no previous private property could be verified as state property (Eder and McKenna 2004). Of course, the Muslim communities were not able to prove a right that had hitherto not existed. As a result, the state officially took over most of the land left available after the US left. It took until 1997 for the government to correct the issue with the Indigenous Peoples Rights Act.

However, the land problem is not far-reaching without taking into account the second main factor of the Mindanao conflict—the guided
settlement process. Without going into further detail on an already well-documented issue (see Abinales 2000, Diaz 2003, Gaerlan and Stankovitch 2000), it has to be stated that the demographic shift caused by the Christian settlers had significant negative consequences for the social, political, and economic situation of the Muslim communities. Combined with the political development of national liberation movements in the 1960s, their marginalization was the main subjective cause for the outbreak of the conflict.

Structurally, the settlement campaigns can be interpreted as part of the first phase (penetration) of the above-mentioned concept defined Rokkan. Moreover, those campaigns show the contradictory character of the nation-building process in the Philippine periphery. While the settlers should guarantee stability and the influence of the national center as one of the aims of their settlement, they increased resistance from the Muslim communities that focused on the nation-state as the main enemy. Thus, phases two (standardization) and three (participation), which would mean an intermixture and biasing of the population based on the norms defined by the national center, could not be achieved.

By failing to substitute traditional elites as social leaders on a big scale, the nation-state was not able to develop the hegemony necessary in successfully solving the task, thereby returning to a strategy that has worked since the colonial period—the cooptation of local strongmen (see Migdal 1988, Abinales 1998). However, the major setback was that this cooptation strategy could not prevent the violent conflict from breaking out. In this sense, the beginning of the armed struggle by the Moro National Liberation Front (MNLF) in 1972 also marked a sharp break within the cooptation system, represented by the datus (roughly “big men” or “high-born leaders”), who structurally played the role of coopted brokers of state influence in the 1950s and 1960s. The autonomy regime through the Autonomous Region of Muslim Mindanao (ARMM) in 1989 is a concrete shift within this cooptation strategy—a change from old strongmen, such as the datus towards new ones who gained their position in the course of the armed uprising. This shift became effective with the integration of the MNLF leadership into the ARMM structure in 1996.

Additionally, peace negotiations were an important factor in another crucial event—the split within the Moro national liberation movement in 1977 with the foundation of the Moro Islamic Liberation Front (MILF) and the emergence of bandit groups, especially after the
MILF started peace negotiations with the government.⁴ In addition to the state forces and the guerrilla movements, such bandit groups represent the third internal party in the framework of the Mindanao war system.

Taking the form of politically-motivated factions from MNLF and MILF, “lost commands,” genuine formations, or groups established through the involvement of state forces,⁵ they are not without historical tradition in the region, as Donnelly argues (2004). Therefore, contrary to popular opinion (e.g., Ressa 2003), groups such as the Abu Sayyaf are not commonly perceived as a threat by the local population, but “function as both a predatory (or criminal) bandit group and a social bandit group” that occasionally draws Robin Hood-like popularity (Donnelly 2004, 4). As the next section will illustrate, the conflict environment generates positive economic conditions for such groups’ operations.

Conclusively, it has to be stated that the nation-state never witnessed hegemony within the Mindanao region at any point of its existence, generating what Migdal (1988) calls “a strong society in a weak state.” The subsequent insufficiency of local and regional state institutions combined with unsolved economic problems and the strategic settlement campaign led to an armed uprising that the state was not able to control. Consequently, the conditions created by the subsequent protracted low-intensity conflict created a desirable environment for bandit groups, further exacerbating an already complex situation.

Positive political economy

Given the enormous costs involved, it is surprising that the Philippine government and the military are still taking steps to escalate the situation, as illustrated by the recent offensive in Jolo. Although the politically-driven bandits are generally considered by state institutions and their US allies as a “police problem,” it is nevertheless surprising why no peaceful or at least non-military solutions are sought. Thinking in systemic terms, it should be reasonable to conclude that in the end, such high-intensity military operations are unable to wipe out these groups, but have actually created the conditions favorable to their operation.

Indeed, it is important to look at the costs when discussing the possibilities of generating a positive political economy by the actors of
the conflict. According to Eduardo Ermita, former secretary of defense and chief negotiator of the government in the ongoing talks with the MILF, in 1996, the conflict in Mindanao not only cost about 100,000 lives between 1970 and 1996, but also PHP 73 billion pesos for the operations of the armed forces alone (Arguillas 2003). Moreover, Paul Dominguez, a well-known representative of the Mindanao business community, former presidential assistant for regional development, and now president and chief executive officer of Sagittarius Mines, an Australian-Filipino mining joint venture active in the Southern Cotabato region, estimates the economic costs of an ongoing conflict over the next ten years at USD 2 billion (Arguillas 2003).

Although these figures may be rough estimates, one has to take into account both the direct and indirect costs as well as collateral damage to the Mindanao economy and to the Philippines as a whole. The bomb attacks of Abu Sayyaf in the Makati business district exemplify this expense. It is impossible to estimate the loss of potential investment due to such events. Nevertheless, there are both political and economic motivations to prolong the conflict. For the guerrilla and bandit groups (and those shifting in between), the Mindanao situation follows Collier’s (2003) description: “The prospect of financial gain is seldom the primary motivation for rebellion, but for some it can become a satisfactory way of life.”

On the other hand, in examining the political-economic driving forces, we have to start with the state actors. In this regard, we have to explain why the Philippine state is pushing further the escalation of conflict in view of the enormous costs associated with the offensives. There may be political reasons in explaining the military maneuvers, primarily the well-known carrot-and-stick tactics that have had a long tradition in dealing with separatist movements worldwide, especially if there is significant US involvement. However, there is also an economic reason behind this policy.

This economic reason is a result of the contradictory relationship between the civilian leadership and the military, which became heavily politicized during the Marcos era (see Quilop 1999). Apart from the small profits for lower-rank commanders in Mindanao gained mainly through corruption, there are at least two very important benefits for the military from engaging in long-term warfare. Firstly, the abovementioned PHP 73 billion in military costs for the war in Mindanao from 1970 to 1996 represent a shocking amount in the wider picture. The low-intensity conflict in Mindanao has guaranteed
the Philippine military a budget of 1.3-1.5 percent of the gross domestic product (GDP) annually until 1996 in addition to the logistical and direct assistance of US troops. The amount has dropped significantly since; in 2004, it was below one percent. Secondly, the conflict ensures the military continuation of its considerable political influence, which in economic terms creates very good opportunities for civilian careers of retired army personnel.

Both factors highlight the dubious role of the military during the 2000 all-out-war offensive on MILF camps, which resulted in significant political, human, and economic damages. There is some indication that this offensive was carried out by the military primarily to counter the rising dominance of a peace strategy (see Concepcion et al. 2003, 14). The point is that the AFP has something to lose from a peaceful settlement of the Mindanao conflict, which would include a non-military solution to the banditry. This may no longer be true for the separatist movement. Both the MNLF and MILF were and still are interested in keeping their profile as political movements, demonstrated by their denial (at least officially) of engaging in illicit economic activities. However, the problem is that the MILF has some ground control problems, which have been worsening since the ceasefire agreement in 1997. The same is the case for the MNLF.

However, several reports indicate that both organizations are taking action against criminal activities in the region as well as within their ranks, sometimes in joint efforts with state forces. Furthermore, the transition in MILF leadership from Salamat Hashim to Al-Haj Murad Ebrahim in 2003 took place without problems, demonstrating that the organizational structure of MILF is widely intact. In any case, the main source of financing for the separatist groups is not local, but international. The MNLF has a full membership in the Organization of Islamic Conference (OIC) as representative of the Bangsamoro people, receiving strong support from other members (see Tan 1993). Since the MILF failed to obtain even an observer status in the OIC, it had to rely on funding mechanisms that are more informal and discreet. According to Ressa (2003), besides funding from state sources (mainly from Libya and Malaysia), MILF funds are generated primarily by Islamic relief organizations. However, since there is more speculation than actual evidence on this subject, there is little sense in looking further into the issue. The most important question is the proportion of the donations from countries to that of the private relief sector.
Here, we can find possible explanations for the willingness of the MILF to join a peace settlement within an autonomy structure, putting aside the original goal of independence. The changing international environment has brought about the discontinuance of support for independence. Given the dependency on these funds, the MILF was forced into negotiations.

Finally, the relative success of the third actor—the bandit groups—is due to economic conditions that cannot ensure a normal way of life in the legal economy for most of the inhabitants of Mindanao, especially in the western parts. According to Lourdes Adriano, this is due to four factors: “the relegation of Mindanao to the role of supplier of food and raw materials to the rest of the country; neglect of Mindanao’s infrastructural needs; a bias against agriculture and for industry—until recently; and...armed conflict and/or crime” (Concepcion et al. 2003, 18). Combined with the impossibility of controlling the region for both the state forces and the separatist organizations, these conditions create the environment for a boom of illicit economic activities. Although there are no reliable and up-to-date estimates of the scope of the respective activities, we can classify these into five main fields: kidnap-for-ransom (mostly of local middle-class people), which is presumably the most important illicit sector; illegal logging and related smuggling (Concepcion et al. 2003); illicit weapons trade, primarily small firearms (Makinano and Lubang 2001); classic banditry; and finally, piracy (Donnelly 2004). Given the enormous number of armed men in the region combined with the rather cloudy prospects for legal activities, these pursuits prosper and generate a genuine economy of conflict. The pronounced political flexibility of some of the bandit groups, like the well-known Abu Sayyaf, and their anchorage in the local population, assure not only their existence, but also their enlargement notwithstanding the heavy military operations against them.

**Balance of forces**

After the fierce outbreak of the conflict in 1972, it took three years for the fight between the MNLF and the Philippine military to enter a stage commonly referred to as a “stalemate” (e.g., Gaerlan and Stankovitch 2000). The regular forces of the MNLF took a hard beating and switched to guerrilla warfare where they had significant advantages over the military. Even after the split of the separatist movement, both
MNLF and MILF remained far too strong to be beaten using military force.

On the other hand, the MNLF as well as MILF had no chance of winning against government forces, which enjoyed significant support from US troops and logistics. As a result, both sides turned to a containment strategy—the government controlling the major roads and some main cities while the movements controlled the rest of the region.

Another factor affecting the containment strategy of the military was the armed struggle of the New People’s Army (NPA), which bound large numbers of the deployed troops all over the country. Consequently, we can see a significant increase in military action in Western Mindanao after the weakening of the NPA during the 1990s.

The end of the Cold War has led to a change in the international environment, resulting amongst other things in the revision of international policies of some countries supporting separatist movements, with Libya as one prominent example. Logical consequence was a climate favorable to peace and ceasefire settlements with separatist movements, now confronted with decreased funding and respective political pressure pushing them to peace negotiations. The peace processes with the MNLF and MILF are to be understood within this context.

Nevertheless, increasing concerns about Islamic terrorism in Southeast Asia raised by the US resulted in a continued US military presence and renewed formation of the military balance in the Mindanao context. After a near complete severance of military relations between the US and the Philippines in the 1990s, the involvement of US troops has sharply increased in the last years, especially in Mindanao, mainly because of the shift in priorities brought about by the abovementioned changing international context. The recent joint Balikatan (shouldering the load together) exercises exemplify this fact. The US military presence in Mindanao is now referred to as “semi-continuous” by US ambassador Francis Ricciardone (Arguillas 2005), and is boosting the local presence of the AFP. In addition to this, the peace settlement with the MNLF and ceasefire with the MILF led to a disintegration of some of their members, sometimes even whole commands, resulting in a significant growth of banditry. The formation of the Pentagon group in 2001, which included ex-MILF members, can be interpreted as one of the consequences of this. This rise of banditry further coincided with the notorious kidnap-for-ransom exploits of
the Abu Sayyaf, contributing to the attractiveness of these gangs (Rogers 2004). With this boom in banditry and the respective counteroffensives of the police and the military, the already high degree of fragmentation of the groups and gangs was further exacerbated. Indeed, this is one of the main tactical military advantages of such groups over state forces today, making them significantly less vulnerable to centralized counteraction. In fact, military operations effectively undermined the efforts of stabilization after 1996, when parts of the MNLF forces were integrated into the local police corps and the military. Although the integration program was not without problems, it led to an improvement in stability and a significant decline in criminal activities in the region (Makinano and Lubang 2001, 29). However, when the US began the anti-Abu Sayyaf campaign after US missionaries were taken hostage in 2000, this short stable period was over. This led to the continuation of protracted conflict, where none of the three main actors—in this regard, the splintered bandit groups and criminal gangs are considered as one actor—has any chance of gaining a strategic advantage that could lead to a victory.

**US Development Intervention in Mindanao’s War System**

Given the complexity of the domestic factors of the war system in Mindanao, it is obvious that international intervention, by military or civilian means, brings about a sensitive situation where no certain outcome is predictable. That said, we have to assess US development intervention in relation to US interests, their primary aims, and the risks associated with such intervention. An analysis of these three factors is the basis for evaluating US development intervention, and US intervention as a whole.

**US interests in Mindanao**

Immediately after taking over the role as a colonial power from Spain in 1898, the United States showed strong interest in the resource-rich island of Mindanao. The Bates Treaty and the successful cooptation of local strongmen by the US military (Abinales 1998), which was ruling the island until 1913, resulted in a huge wave of American settlers surging to the “land of promise” (for the history of the term see Tiu 2002). US settlers and companies remained dominant in Mindanao until the late 1960s, which was interrupted only by Japanese economic
ascendance during the 1930s and 1940s (Abinales 2000, 69). However, with the outbreak of the MNLF uprising and the declaration of martial law by then-president Ferdinand Marcos, the profitability of business in Mindanao dropped significantly, paving the way for a sharp decline of respective US involvement. By the 1990s, the decline also covered the military engagement, which was nearly abandoned in those years, mainly because of the end of the Cold War and consequential changes in strategic needs of the US. This near complete abandonment, however, was revised in recent years, as mentioned above. Thus, despite numerous rumors that continue to circulate, US economic interests in Mindanao nowadays are considered very limited. Of course, there are relevant natural resources in the region, but they are not so promising, taking into account the potential risks that big multinationals could face. Therefore, resources are mostly exploited by comparatively small international joint ventures, mostly from the ASEAN, East Asia (primarily from Taiwan, Japan and Korea), and Australia. Even under peaceful conditions, it is doubtful whether this would change.11

A comparison with Colombia shows that an ongoing protracted internal conflict does not necessarily deter multinationals from becoming involved: companies such as British Petroleum or Coca Cola invest in heavily conflict-affected areas, sometimes negotiating deals with paramilitaries or even guerrilla organizations (Richani 2002, 116). Since we cannot find similar processes in Mindanao, it is probable that US interests are related to other agendas.

Officially, the primary challenge for US assistance—not surprisingly—is the “war on terrorism,” where the Philippines “is on the front lines...in Southeast Asia” (USAID 2004). Given the literature on security issues in Mindanao, it seems probable that this statement coincides with the reality. Respected institutions like the International Crisis Group have shown links between some MILF commands and Jemaah Islamiyah, which is suspected to have close links with the al-Qaeda network (ICG 2004). More popular theories, like that of journalist Maria Ressa, even suggest that the entire Mindanao region is one of the main playgrounds of al-Qaeda (Ressa 2003, 104). Although it should be clear even for Pentagon officials that such exaggerations are farfetched, it is likely that they consider the Mindanao situation, with the ongoing Islamic militancy, as a potential security threat that has to be addressed. It seems reasonable that after the considerable decline of the NPA, which was considered the main threat during the 1980s, this policy is now shifting to the Mindanao area. Additionally, a very
important and quite often neglected economic issue is causing problems in the region, not only for the United States. In 2003, 42 percent of the total piracy attacks worldwide took place in Southeast Asian seas (Reinhardt 2004). In particular, the Western Mindanao islands and the Sulu archipelago are notorious as safe havens for pirate groups (Carlos 2002). Although not as important as territories in Indonesia, Malaysia or Thailand, the islands of the Southern Philippines are one of the main bases for criminal groups committing maritime piracy acts, especially in the South China Sea. Eliminating these safe havens may be an additional motivation, at least as far as the military engagement is concerned.

The most important issue, however, remains that of regional influence and control, which differs from concrete economic or security concerns. The downfall of Ferdinand Marcos did not change the US perception of the Philippines as its main ally in the ASEAN region. In fact, the US shift from Marcos to a support of the EDSA revolution was designed to maintain this linkage (Robinson 1996, 138). Given the special history of the US in Mindanao, it would not come as a surprise if active involvement in the ongoing conflict were used to pursue this strategic relationship.

**US ODA in Mindanao**

When assessing the importance of intervention to the United States, it is advisable to look at the relevant budget data first, which gives a good indication of the importance attributed to the respective country. According to current USAID budget data (USAID 2005a), the Philippines ranks among the top 15 of recipient countries worldwide with USD 89 million of expected USAID funds in 2005 (see Table 1). This is even more impressive if we take into account that the lion’s share of USAID money in the Philippines is committed to conflict resolution and peacebuilding in Mindanao. Of the USD 89 million, about USD 23.22 million is exclusively earmarked for “Conflict Resolution in Mindanao.” Money from other program areas, especially family planning and health as well as environment and energy, and education, will be spent in conflict-affected areas (USAID 2005b). Although military assistance of the US is in the spotlight and is heavily disputed throughout all sectors of Philippine society, it is actually the smaller part of total assistance. According to official data, the direct military assistance falling under the category of foreign military financing (direct
deployment of troops for the purpose of “special consultancy,” as it is called by the US Ambassador) in 2004 amounted to USD 20 million. Additionally, an “Emergency Supplemental FMF Grant” worth USD 15 million was awarded for antiterrorism purposes. Weapons supply in 2004 amounted to approximately USD 40 million.\textsuperscript{14} Even if we take into consideration the USD 7 million dedicated to the “Philippine Defense Reform” and the ongoing training programs for Philippine military personnel worth USD 3 million, the total amount of money spent is below the USD 89 million of official development aid.\textsuperscript{15} While popular opinion may be different, presently the civilian component is the stronger tool of influence for the United States in the Philippines. The pronounced focus on civilian means marks a paradigm shift in the history of US involvement and represents one consequence of the abovementioned policy shift to the promotion of peripheral polyarchy. Astonishing tactical moves like the shift from Marcos to the support of the EDSA revolution or the acceptance of the nullification of the military bases agreement in 1991 mark significant milestones that demonstrate the new policy approach. Furthermore, the measures had immediate strategic impact in the way they were designed. They were crucial factors contributing to the downfall of the NPA (Weekley 2001, 135), which was then the main goal of US intervention in the country.

The main areas of the program of the USAID\textsuperscript{16} in Mindanao (USAID 2005b) are diversified. As mentioned above, the budget is

\begin{table}[h]
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\begin{tabular}{|c|c|}
\hline
Year & Amount \\
\hline
1995 & 48.233 \\
1996 & 49.283 \\
1997 & 53.293 \\
1998 & 49.439 \\
1999 & 39.467 \\
2000 & 34.7 \\
2001 & 49.05 \\
2002 & 83.058 \\
2003 & 96.136 \\
2004 & 68.063 \\
2005 & 89.096 \\
2006 & 63.925 \\
\hline
\end{tabular}
\caption{US ODA grants to the Philippines, 1995-2006 (million of US dollars)}
\end{table}

Note: Data for 2005 and 2006 are based on estimates.
spread over different strategic objectives that, at the field level, are integrated into programs covering several of these strategic objectives. The two main components at the ground level, on which we shall focus in this paper, are the Livelihood Enhancement and Peace (LEAP) and the Growth with Equity in Mindanao (GEM) programs, both in their second phase since 2002. Both programs started in 1997 after the final peace agreement was signed between the Philippine government and the MNLF, with each program phase covering five years. The LEAP program is designed to integrate combatants of the separatist movement into the regular military or the police corps. It primarily provides technical assistance to former fighters, enabling them to establish small agricultural or aquacultural businesses, driven by the slogan “Arms to Farms.” Since the start of the program, some 23,000 former guerrilla fighters have been trained, according to USAID. Behind these impressive numbers are some interesting details. The program is an explicit part of the 1996 peace agreement with the MNLF, according to USAID officials, given that past peace agreements have frequently failed because such a component had been missing. Another important detail is that the organizational structure of the MNLF was not affected by the program. On the contrary, the MNLF (and not the Philippine government) was the main partner in the implementation process, primarily in selecting the participants. Reportedly, this has led to friction with government officials at times.

A further 4,000 former fighters will be integrated into the program in 2005, which by then will have covered all of its potential MNLF clients. However, USAID claims that a similar program could be implemented for MILF immediately, upon signing a relevant peace agreement. It is very likely that the appropriate contacts are already in place.

The GEM program, on the other hand, aimed at the economic support of the peace process and is even bigger in financial terms. Essentially, the program has two main objectives: to support the business community in the western regions of Mindanao and to support the ARMM. The business element is not intended to substitute private investment, but it is doubtful if it is really working that way. The main activities include support for local medium-scale companies, particularly in improving their business and building export networks. Support is likewise extended to local and regional chambers of commerce at a volume of approximately USD 4.5 million in 2005, as well as the improvement of infrastructure in the conflict-affected areas,
both on a community and a regional level at a volume of approximately USD 11 million in 2005. While the funds are rather high, the effect of the program is comparatively negligible. Neither has it been possible to significantly and sustainably improve investment or the level of production in the respective regions, nor was it realizable to initiate a trickle-down that would have led to an improvement of the general economic conditions for the population. Subsequently, the funds, especially those allocated to infrastructural projects, were the only investment in the region, and in fact substituting private investment in a way it was not supposed to.

The funding of the ARMM, as well as respective policy support, is the other significant element of GEM. Without discussing the somewhat miserable history of the Autonomous Region, we have to take into account that presently it is the only autonomous region for national minorities in the whole of Southeast Asia (Eder and McKenna 2004). Its strengthening is one of the main goals of the US, with the expectation that a working Muslim regional government would at least replace the political motivations for armed separatism. However, even strong policy support provided by USAID consultants in the ARMM, combined with capacity building measures and support in the negotiations with the national government, has not yet been able to accomplish this strengthening. ARMM is not only chronically underfunded; it also has very few political duties to fulfill. The only relevant sector of work is education, which is also heavily supported by a special element of the GEM program.

### Table 2. US ODA to Mindanao, 2001-2006

<table>
<thead>
<tr>
<th>Year</th>
<th>US ODA grants distributed in Mindanao (million of US dollars)</th>
<th>Share of total US ODA grants (%)</th>
<th>US ODA grants earmarked for “conflict resolution in Mindanao” (million of US dollars)</th>
<th>Share of total US ODA grants (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>18.9</td>
<td>38.53</td>
<td>4.711</td>
<td>9.60</td>
</tr>
<tr>
<td>2002</td>
<td>47.4</td>
<td>57.07</td>
<td>24.2</td>
<td>29.14</td>
</tr>
<tr>
<td>2003</td>
<td>41.9†</td>
<td>43.58</td>
<td>19.25</td>
<td>20.02</td>
</tr>
<tr>
<td>2004</td>
<td>57.4</td>
<td>84.33</td>
<td>13.01</td>
<td>19.11</td>
</tr>
<tr>
<td>2005‡</td>
<td>n.a.</td>
<td>n.a.</td>
<td>23.22</td>
<td>26.06</td>
</tr>
<tr>
<td>2006‡</td>
<td>n.a.</td>
<td>n.a.</td>
<td>10.449</td>
<td>16.35</td>
</tr>
</tbody>
</table>

**Notes:**
- †: An additional USD 30 million was provided in a special tranche of the Economic Support Funds (ESF).
- ‡: Data for 2005 and 2006 are based on estimates.
Within the current framework, it has not been possible for former guerrilla leaders, despite or perhaps even because of strong US support, to establish a pronounced political program of autonomy, filling out the formal framework of an autonomous region.

Determining the effects of US intervention

Intervention in the war system has to be examined on two main levels: the impact on the regional situation of an ongoing low-intensity conflict, and the impact on the national scale of a state that has failed to create the conditions for a peaceful settlement of the conflict to this date. At the regional level, there are undoubtedly favorable effects, especially regarding the reintegration of former MNLF combatants. As far as it is possible to determine, it seems that a significant number has been successfully reintegrated. However, this success is double-edged in various respects. The corruption within the ARMM (Abinales and Amoroso 2005, 252; Gutierrez and Dañguilan Vitug 2000, 202), which is obvious to the ordinary people, especially those in the lower ranks of the MNLF (World Bank 2003, 29), whose elite is now playing a crucial and officially legitimized political role the region, undermines the carrot-and-stick tactics underlying such a reintegration process. There is a considerable motivation for lower-ranked former guerrilla fighters to go back to combat when they see that their former commanders are building beautiful houses from money dedicated to the development of a political autonomy. On the other hand, the strong political influence of USAID within ARMM, as well as ARMM’s heavy dependence on donor money, is a significant obstacle to the path to genuine political autonomy. No accountability program, however effective it may be, is able to make up for responsibility based on the personal and political duties of the persons in charge. In this context, development intervention relieves former political leaders of their obligations to their former followers.

On a national scale, structural similarities can be determined concerning the national government in its relation to the regions in conflict. The way it is working now, development money is making up for responsibilities of the national government if it is dismissing the scenario of independence, which it actually does. Fittingly, US agencies appear to have a better inside knowledge, especially of the two separatist movements, than most political elite in Manila, an opinion further backed by the intended involvement of the US Institute for Peace (USIP) in the current MILF peace negotiations.
Although the role of USIP is not as strong as initially planned, especially in their anticipated function of consultancy in the ongoing peace negotiations, the Institute remains present on a scientific level. This is shown by fellowship grant awarded to Cotabato City-based researcher Benedicto Bacani of Notre Dame University, who is a specialist for the Mindanao peace process and the ARMM. Thus, USIP at least is fulfilling the role of elaborating further inside knowledge while remaining a useful option for a stronger involvement in the negotiations. As a consequence, the normal way for Manila to deal with the Mindanao problem is to send troops contributing to an escalation of conflict and leaving the rest to the donor community. However, even on the level of military presence, Manila is heavily depending on the United States as shown by the Balikatan maneuvers and the now “semi-continuous” presence of US troops in Mindanao. For the US, besides the obvious aim of wiping out the Abu Sayyaf and other groups that are believed of being under the influence of international Islamic fundamentalism in cooperation with the AFP, the objectives of this military presence are two-dimensional. On a regional scale, it enables the US to demonstrate a credible stick behind their political engagement in the peace processes with both MNLF and MILF, and builds a helpful foundation in the US quest for the implicit political leadership in the Mindanao peace process. Furthermore, it not only allows the US to press for a discontinuation of fighting, but also to re-escalate the conflict, if it is considered advantageous. On a national scale, such free-of-charge consultancy, as US ambassador Ricciardone calls it, is an appropriate and efficient way to control Manila’s Mindanao policy. The abovementioned ability to a re-escalate conflict additionally creates the potential of putting serious pressure on the Philippine administration.

CONCLUSION
The principal reason that has led to the establishment of a war system in Mindanao was an imperfect process of nation-state building. Although the postcolonial Philippine state was able to control the situation to some extent over two and a half decades with measures of strongmen cooptation, settlement and military force, the violent outbreak of the conflict in 1972 has made it clear that it was not possible to establish a system of structural political hegemony of the
nation-state. While it was not possible to pacify the region by military means, an endeavor that finally ended in a balance of forces between the AFP, the guerrillas, and bandit groups on the island, a peaceful solution has not fared better up until now due to two reasons. First, the concept of autonomy, additionally aiming to put forward the processes of standardization and participation in the concept of nation-state integration, has not matched up with local traditions of society, politics and leadership. Until now, ARMM is more reputed for corruption and political disorientation than for the formulation of genuine political interest, thus creating the second condition for the establishment of a war system—institutional failure. Second, several factors have led to the possibility for the main actors involved to establish a positive political economy in the current setting of an ongoing violent conflict. In particular, the poor economic outlook for most of the people combined with the often-demonstrated economic effectiveness of criminal practices like kidnap-for-ransom resulted in a mushrooming of bandit groups and criminal gangs, challenging the hegemony of the two big separatist organizations, MNLF and MILF, especially in Western Mindanao. They themselves are amidst difficult transformation processes from guerrillas to political organizations. The outcome of these transformations has to be considered uncertain for both.

Since all three basic conditions of a war system—balance of forces, institutional failure, and positive political economy—are met, the system in Mindanao has established itself as structurally stable. Therefore, it is generally hazardous to intervene from the outside, given the impossibility to predict the effects of interference in a dynamic system (Richani 2002, 4). This is particularly true for the effects of the intervention of the United States. On the one hand, its military involvement in Mindanao is feeding the war system by helping to keep up the positive political economy on the side of the AFP, consequently decreasing the military’s already small interest in peaceful conflict resolution processes. On the other hand, the strengthening of the civilian component guaranteed a more ramified presence aside from the police and military structures, thus enabling a better control of the political and social structures in the region. Some positive effects like the successful reintegration campaigns for former MNLF fighters have to be juxtaposed to the structural undermining of political responsibility on a national as well as on a regional level. The latter is primarily caused by heavily subsidizing of the ARMM.
While it remains an open question whether the autonomy process will succeed in the end, it is sure that the invested amount of money in an ongoing war system always raises the stakes for all parties involved, a process whose results are at least considered risky according to the accumulated experiences of development cooperation (Anderson 1999). What can be judged, though, is the potential that results from such a presence made up of civilian and military means. It gives the US the singular possibility to gradually escalate the conflict at their own will, which has severe consequences for the parties involved and for the national government. The Philippine government is potentially subject to persistent pressure, even without the permanent deployment of US troops in the Philippines.

The local population, however, has to bear the burden of such US politics. An eventual escalation, whether unintentional or planned, leaves the local population alone dealing with the consequences and with very little chances to intervene.

ACKNOWLEDGEMENTS

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ENDNOTES

1. Richani defines this positive political economy as “a political economy under which the warring actors feel that they are better off than prior to the initiation of hostilities, as is the case for the rebels. On their part, the state and dominant classes feel that war is less expensive than a peace that requires political and economic sacrifices such as a more democratic inclusive political system and a more equitable distribution of resources (land and capital)” (2003, 9).

2. Depending on the social, economic, cultural and political circumstances, this could lead to “struggles or standoffs among social forces over questions ranging from personal and collective identity and the salience of symbols to property rights and the right to use force” (Migdal 2001, 129).

3. The term “bandit groups” is referring to the concept of social bandits as analysed and illustrated by Eric Hobsbawm (2000). Therefore, the term is not used as a simple synonym to criminal groups or gangs; quite to the contrary it means a special form of socioeconomic movements in the periphery of the world system, mostly with strong peasant roots.
4. Of course, the rise of international Islamic fundamentalism was another important aspect therein (see Ressa 2003, although she overstates the factor by far.)
5. This is a claim made repeatedly by MILF-officials (Manila Times, February 3, 2002).
6. Recent reports indicate that corruption within the AFP in Western Mindanao is a serious problem (Manila Times, 10 October 2004).
8. The case of former MNLF Chair and ARMM governor Nur Misuari who split after being filed with corruption charges may be the most spectacular case. Although in jail, he is thought to be in command of quite a large MNLF splinter group, which claims to be the “official” MNLF.
9. Regarding MNLF see MindaNews, 30 October 2002: “Peace advocates tell military to ‘go slow’ in Moro areas,” or, for a semiofficial MNLF-view, Muslim 1999. Regarding MILF, the National Security Adviser of the GRP, Norberto Gonzales, recently claimed that “the government was working with the MILF and that the joint action group has resulted in several arrests.” (AFP release, 30 May 2005). In addition, MILF repeatedly has indicated that every member that commits a “breach of discipline,” for example by breaking the current ceasefire agreement with the GRP, has to face “disciplinary action” (e.g. Luwaran, 11 January 2005). In this context also important is a statement of General Virtus Gil, the chief of the PNP Task Force Mindanao. He confirmed that the MILF supported the air strike operation of the AFP, which led to the killing of Tahir Alonto, the leader of the Pentagon Group, on August 13, 2004 (Malaya, August 14, 2004).
10. For a complete overview of who is investing where in Mindanao, compare the data on domestic and foreign investment in Mindanao on the “Mindanao business gateway” website of the GEM project, http://www.mindanao.org, and the data provided by the Mindanao Economic Development Council (MEDCO).
11. Of special interest in this regard are the remarks made by US Ambassador Ricciardone in an interview with MindaNews. Asked about the US interests in Mindanao that would focus on mineral resources and geopolitical location he replied: “Okay, Mindanao as the center of the world theory. President Bush lying awake in the night. How can I conquer Mindanao’s fabled treasures … On the mineral wealth … It would be lovely if you can get your mineral wealth … in the world market. (But) the major firms involved in mining are Australian or Canadian rather than American. I would like to interest American firms” (Arguillas 2005).
12. Egypt tops the 2005 list with USD 535 million of USAID funds, followed by Afghanistan with USD 397 million, and Israel with USD 360 million. Iraq receives money outside the regular budget and does not appear on that list.
14. AFP was given USD 30 million to buy new military US hardware, a sort of indirect subsidizing of the US defence industry. Another USD 10 million was allotted for the purchase of goods from US military stocks.
15. These numbers do not run contrary to the USD 356 million of US security-related assistance to the Philippines that were mentioned by President Macapagal-Arroyo
in 2003 (Manila Times, May 27, 2003). This amount also included all parts of civilian assistance of the US, and it was not related to a specific fiscal year, but with at least a two-year span.

16. It is important to mention that most of the implementation work in Mindanao is done through a contractor of USAID, the Louis Berger Group. The persons in charge have remarkable inside knowledge of the Mindanao conflict and probably good contacts with both of the big separatist movements.

17. For the distribution (geographically as well as sectorally) of USAID projects within Mindanao, see http://www.usaid-ph.gov/Documents/mindanao_activity.pdf.

18. According to US Ambassador Ricciardone, Malaysia is opposing a stronger involvement of USIP in the current MILF peace negotiation process, contrary to the wishes of the other parties involved (Arguillas 2005).

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