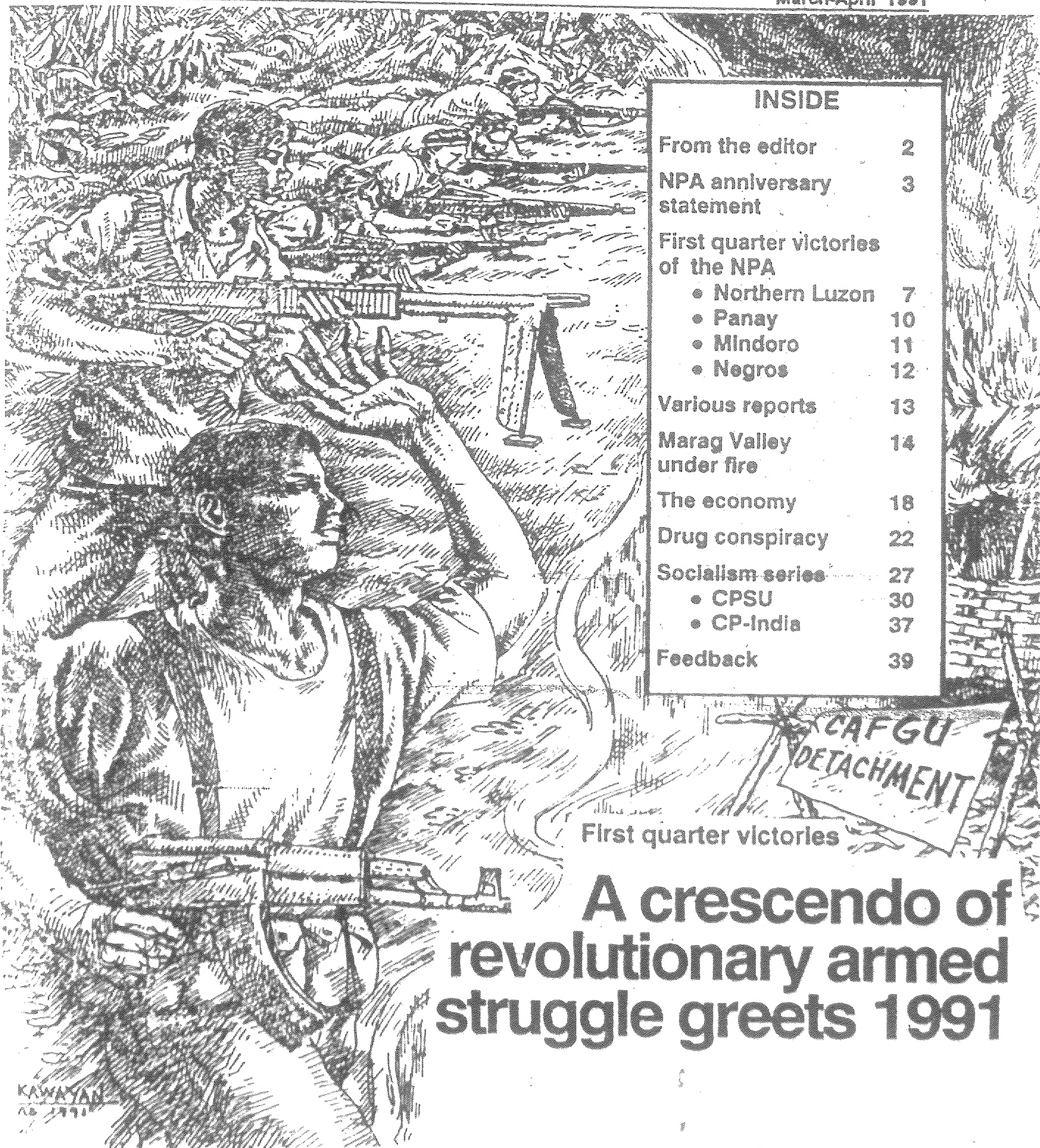


# Ang Bayan

CENTRAL POLITICAL PUBLICATION OF THE COMMUNIST PARTY OF THE PHILIPPINES

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March-April 1991



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First quarter victories

## A crescendo of revolutionary armed struggle greets 1991

## Total war—heading for total failure

A crushing defeat of the New People's Army. This would have been the crowning glory of the US-Aquino regime and the AFP High Command in 1991. This was their ambitious goal in 1987 when they launched their savage "total war"—the mobilization of socio-political-economic-military instruments to destroy the armed units and political base of the revolutionary movement. The military strategy which was to ensure their victory was the "strategy of gradual constriction"—first, the use of massive military force to clear and control barrios and towns under revolutionary influence, then the consolidation and development of these areas under reactionary rule through militarization and politico-economic methods, and finally, the annihilation of the revolutionary armed forces driven to isolation in their mountain strongholds.

From 1987 up to now, the regime and its AFP have unleashed wave upon wave of huge counter-insurgency campaigns, yet in not a single major guerilla front anywhere in the archipelago have they achieved their final objectives. The reduction of the revolutionary mass base has been the immediate effect of sheer military terror and a pervasive military presence (through the stationing of AFP detachments and the setting up of CAFGUs). But regular armed units of the NPA have remained intact and continue to take the initiative in the face of relentless military attacks by waging counter-attacks that inflict serious damage to the enemy and wear them down, expanding to other areas of the wide countryside and recovering those under enemy control, and mobilizing the masses to actively resist fascist impositions and abuses.

It has at last been admitted—no less than by newly installed AFP chief of staff Gen. Lisandro Abadia—that their 1991 target can no longer be fulfilled. And that, instead of "crushing" the revolutionary armed forces, the goal now is the "strategic defeat of the CPP-NPA." What the latter means is not exactly clear, but it is evident that the US-Aquino regime and the AFP have concentrated enormous military power and resources against a few selected targets in the hope of achieving a dramatic victory in at least one strategic guerilla front. In this way, they hope to cover up the general failure of their overall military program and to preserve the illusion that "total military victory" over the revolutionary movement is yet

possible. They need this victory before the 1992 elections to prove that their "total war" has not been a total loss.

Even this limited goal, however, is proving beyond reach. The big military campaign which has battered the Zamboanga peninsula for the past year has lost steam, in the face of the revolutionary armed units firmly holding on and fighting back. Our forces have successfully stood up to the ferocity of Oplan Thunderbolt in Negros. In Bataan, where militarization has been overwhelming, the AFP is unable to claim any decisive victory over the NPA. And now, in Northern Luzon, the Lt. Crispin Tagamolila Command is effectively blunting the AFP blitz.

After the installation of the Aquino regime in the wake of a popular uprising that overthrew the Marcos fascist dictatorship, some quarters within the popular forces had raised questions about the *raison d'être* of the revolutionary armed struggle—and its decisive role in overthrowing comprador-landlord rule. Now, five years after, towards the close of Aquino's term, the doubts are being laid to rest, not only by the deepening crisis that is reproducing and even surpassing all the worst features of the Marcos fascist era but also by the crescendo of revolutionary armed struggle all over the country, particularly since the start of the 90s.

In the succeeding pages are reports on the first-quarter victories of the NPA in Northern Luzon, Panay, Mindoro, Negros and other parts of the country. It is not a complete picture, but the upward trend clearly emerges. This was confirmed by the reactionaries themselves, when Sen. Ernesto Maceda revealed internal military reports that the NPA had launched 171 attacks in 44 provinces from January 1 to April 26 this year, winning in 17 out of 30 major encounters with the AFP.

The accelerating tempo of the NPA's tactical offensives is in response to the call of the Party leadership to intensify the armed struggle under conditions of worsening socio-economic-political crisis. The factors for a rapid revolutionary advance, both in the armed and political struggles, are already present. (Read March 29, 1991 statement of the Executive Committee of the Central Committee on page 3.) The elements of another historical conjuncture are fast developing, and this time the revolutionary movement must be ready to play a larger role. ●



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# Defeat total war! Advance the revolution until total victory!

*(Statement of the Executive Committee of the CPP Central Committee,  
March 29, 1991)*

As the New People's Army marks the 22nd anniversary of its founding, the officers and soldiers of the people's army and the whole revolutionary movement have much to celebrate. The NPA has shown heroic steadfastness in the path of armed democratic revolution, has earned brilliant victories which serve as stepping stones for continued advance, and now enjoys extremely favorable conditions for further strengthening itself due to the rapid decay of the reactionary ruling system.

During more than two decades of life-and-death revolutionary struggle under the leadership of the Party, a people's army was formed which now covers the entire archipelago and which the broad masses, particularly the peasant masses, rely on as their defenders and companions in struggle.

This people's army is wholly dedicated to the struggle for total national liberation and genuine democracy, has been tempered by hardships and fierce battles, and exercises flexibility in its tactics. It is an army that fights as well as engages in mass organizing, propaganda and production. It does not cease to improve its skills in military and political work and places the utmost importance on maintaining the broadest and deepest links with the masses of people.

Through revolutionary determination, trust in the masses and lessons drawn from both positive and negative experiences, the people's army succeeded in frustrating countless big and small military campaigns and operations of the reactionary and mercenary Armed Forces of the Philippines. Now, it is defeating the total war of the US-Aquino regime, which began in 1987 and ambitiously sought to crush the revolutionary movement by 1991.



In their total war, the US-Aquino regime has poured in nearly 10 percent of the annual budget of the reactionary government since 1987, beefed up the 150,000-strong AFP with 47,000 troops in 1988 and 1989, concentrated division- and brigade-size forces against the strongest guerilla fronts of the people's army, and formed battalions of CAFGUs and anti-communist fanatical sects to serve as instruments of the AFP in controlling the population through force and terror.

In 1989, the regime started its general offensive in line with its "clear, hold, consolidate and develop" strategy. Brigade and division-size operations of the AFP swept

through wide sections of the countryside, terrorizing, ravaging and plundering. But, after the coup attempt of 1989 and especially after the intensification of the economic crisis in 1990, the general offensive of the US-Aquino regime began to lose momentum. Former chief of staff Gen. Renato de Villa had to admit that they could not achieve their goal of crushing the armed revolutionary movement in 1991.

**T**he main stumbling block to the counter-revolutionary ambition of the regime is the

determined struggle and ever-rising fighting capability of the people's army and the masses in the countryside. In the face of large-scale and relentless encirclement campaigns of the AFP, the units of the people's army improved and refined their guerilla tactics to preserve their forces, inflict damage on the enemy without let-up, and take the initiative in tactical offensives and in mass work. The overall rifle strength of the people's army has continued to grow, although the yearly increase in number of arms has been less than before.

In general, the units of the people's army have maintained enough room for maneuver even though large parts of the countryside had to be left behind because of intense enemy attacks as well as because of our own mistakes and weaknesses. However, in most of these areas, the masses did not lose their sympathy for the revolution; and when contact with them was reestablished, they responded warmly to the efforts of NPA units and mass work teams to organize and mobilize them once more.

Furthermore, units of the Party and the people's army persevered in fighting against the constriction of the guerilla fronts by expanding in areas not within the reach of enemy concentrations or by actively engaging the enemy within the scope or target of its military control. They creatively combined open and secret methods, political and military tactics to reestablish step by step organizations which had stopped functioning, widen the space for action, and reactivate mass struggles even in places under the tightest enemy control. Many of these tactics and methods were also used to expand more quickly in new areas.

Another major obstacle to the reactionary offensive is the enemy's own limitations and blunders. At any given period, they can concentrate huge forces and establish tight control only in a few areas. They can establish control through military force but they cannot consolidate at the political and socio-economic level. In the areas under tight enemy control, the revolutionary mass organizations were dismantled, the gains in the anti-feudal struggle were lost, the impositions of landlords and merchant-usurers were

*The worsening crisis, extreme isolation of the Aquino regime and intense factional conflicts among the reactionaries are major impediments to the escalation of the reactionary offensive.*

given free rein, abuses by AFP troops and CAFGUs as well as criminality and other anti-social activities became widespread. On the whole, the people suffered greater hardships and as a result, were pushed to protest and openly resist even in the face of constant harassment and repression.

In addition, there are the political, economic, financial and military impediments arising from the grave worsening of the socio-economic crisis, extreme isolation of the US-Aquino regime and intense factional conflicts among the reactionaries within and out-

side the AFP. Demoralization has spread among the officers and rank-and-file of the AFP due to the unresolved factional strife, corruption among high-ranking government and AFP officials, soiled reputation of the AFP among the masses, and impact of the economic crisis on them and their families. A great part of the fighting troops of the AFP are deployed in the national urban center against coup attempts. Budget constraints and the financial crisis also increasingly limit the AFP's escalation of military offensives.

As the total war of the US-Aquino regime heads for total failure and it realizes how impossible is the dream of total military victory over the revolutionary movement, it grows ever more desperate in attacking the people's army and revolutionary movement. The regime is now trying all it can to gain "strategic control" over the armed revolution. It wants to sustain and intensify its concentrated military offensives though these be fewer in number and narrower in scope. Large-scale campaigns are targetting selected guerilla bases and zones in mountainous areas in Northern Luzon, Zamboanga and Agusan-Surigao while a high level of militarization is being maintained in places like Negros, Bataan and the Bondoc Peninsula. In the cities, partisan units and the underground movement are the focus of intelligence operations. As a force on the strategic offensive against the armed revolution, the US-Aquino regime is still capable of unleashing big and damaging military attacks.

**N**evertheless, there is a revolutionary flow in the present political situation. The economy is in a state of disintegration and the broad masses in the cities and countryside are suffering greatly. The intensity of the crisis is fuelling spontaneous mass protests, pushing the people to wage economic struggles and join in political struggles. The US-Aquino regime is greatly isolated and vulnerable to challenges and attacks from its political rivals as well as to huge protests and mass struggles. The factional splits and conflicts among the reactionaries are worsening, although many of them are now focused on the 1992 electoral struggle.

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Conditions are extremely favorable for expanding the guerilla fronts and recovering in areas from which revolutionary forces had withdrawn, strengthening the mass base, intensifying guerilla warfare throughout the length and breadth of the archipelago, and dealing more and more powerful blows of the armed revolution against the AFP and the whole of reaction. The socio-economic and political situation in most parts of the countryside is explosive because it is experiencing the worst effects of the socio-economic crisis generated by the US-Aquino regime and natural disasters. Although many areas are still subjected to intense militarization and military attacks, the AFP has been forced to reduce substantially its forces and operations in wide swaths of the countryside. The anger of the peasant masses against the AFP troops and CAFGUs is overflowing because of the terrible abuses and damage the latter have wrought.

The people's army must wage more widespread and more frequent tactical offensives in order to accumulate more arms and acquire greater capability to advance an extensive and intensive guerilla war with broad and deep mass support. Tactical offensives are essential to expand and recover more vigorously, provide support for the mass movement and mass work, and make the AFP pay dearly for concentrating military offensives in a few selected areas. An important, though not predominant, objective of tactical offensives is to hasten and intensify the internal divisions and disintegration of the AFP and the whole of reaction.

Stress should be given to tactical offensives that are widespread, are planned and implemented in a decentralized manner, and hit at many parts of the body of the reactionary army. From time to time, the people's army launches coordinated guerilla campaigns for bigger cumulative politico-military gains. Special and selective operations can also be undertaken that support and complement, but are separate from, political campaigns and mass struggles against the anti-national and anti-people schemes of the US-Aquino regime.

To block and frustrate concentrated military campaigns and attacks of the AFP against a few selected targets, tactical offensives should make the enemy bleed in the

widest possible area within and especially outside the fronts under their attack. The enemy should pay for having dispersed its forces thinly over big stretches of the countryside while it concentrated enormous forces in a few places. Those forces of the people's army in guerilla fronts that are not under intense enemy attack should wage tactical offensives not only to strengthen themselves but also as a form of conscious support to guerilla fronts under enemy siege.

In those fronts within the scope or target of concentrated enemy campaigns and attacks, an active defense should be waged through tactical offensives and through military actions that delay or harass the enemy. These actions, apart from blocking and dealing blows to the advancing enemy, should serve to raise the morale of the masses and their determination to fight back. Defense by means of military actions should be combined with broad propaganda to expose and condemn enemy attacks, mass protests and actions, and rousing the broadest possible political support from the countryside and the entire country. Guerilla forces should avoid being pinned down in prolonged and intensifying combat situations and purely military engagements.

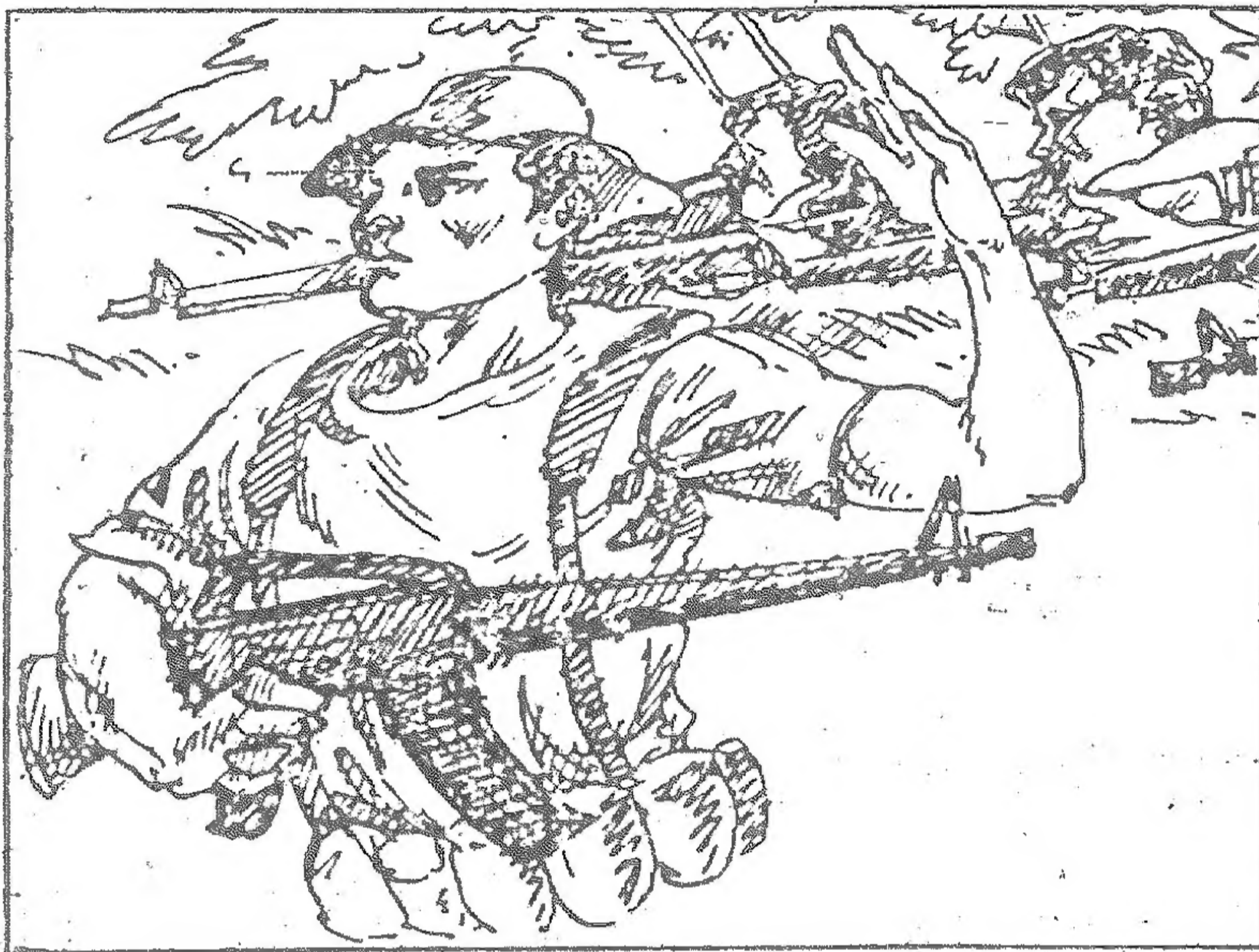
**B**ased on the internal capability of the people's army and the present spread of the mass base in the countryside, tactical offensives can be sustained and escalated. But intensifying such offensives should go hand in hand with

fulfilling bigger responsibilities in expansion, recovery of areas that were abandoned, repairing the damage inflicted by enemy attacks, and rectifying internal weaknesses and mistakes. The guerilla fronts should be vigorously expanded, the more populated areas should be reached, and work in the mountainous areas and in the broad plains and areas near the highways and coastlines should be effectively combined. The mass movement and mass base should be expanded and strengthened to lay the most solid foundation and political support for the advance of the armed struggle. This is essential for the effective cooperation and mutual support of the armed struggle and mass movement in the countryside and the mass movement and struggle in the cities.



Most important are tactical offensives that directly help and widen the room for maneuver of our mass work. As tactical offensives are stepped up, the overall intensity of the fighting within a particular territorial scope should be assessed so as to ensure that this widens, rather than constricts, the space for mass work and expansion, particularly in heavily populated areas.

While preserving the main fighting forces, most of the guerilla forces should be deployed in a way that enables them to cover most effectively the widest possible area and population in the countryside, where they can tightly combine military work and propaganda, organization and mobiliza-



tion work among the masses. Even the main forces should directly participate in mass work in between fighting. The number of armed propaganda units and teams should also be increased to complement the local guerilla units.

The formation of basic and higher forms of mass organizations of peasants, women and youth in the barrios and towns should be pursued with vigor; antifeudal campaigns and production, political, education, cultural, health and military campaigns should be promoted; the organs of political power and NDF committees should be organized and become active. The implementation of the minimum agrarian reform program and campaigns for the improvement of production should be systematized at the barrio level but with a wider scope. At the same time, at the level of the district, province and region, coordinated campaigns and struggles directed against the main pillars of feudal and semifeudal rule should be advanced and strengthened.

The experiences in expanding guerilla fronts and recovering abandoned areas through legal means are increasing. More and more places are able to set up legal and

open mass organizations. The opportunities for using such methods should be seized in order to reach and organize the masses more swiftly. Nonetheless, it is important not to neglect the formation of solid underground organizations within the open organizations and the fulfillment of other essential requisites to keep up and especially to intensify the armed and non-armed struggles in the area.

Another major and general task is the ideological, political and organizational consolidation of the people's army. In the past few years, the Party and army organizations in the territories and regions paid particular attention to tightening discipline, invigorating political education, improving the system of recruitment and seeing to the welfare of individual members, and exercising closer supervision and guidance over army units. All this should be widened, systematized and sustained. Also needed is the recruitment of more intellectuals and workers to beef up the army units and Party organizations in the countryside and upgrade their composition.

The practice of people's war in the past decade has been rich and colorful. The Party and people's army experienced a rapid expansion and accumulation of strength during the last years of the US-Marcos dictatorship; the explosion of a popular uprising that overthrew fascist rule; the temporary ceasefire and political negotiations; a new level of offensive by reaction in the form of the "total war" of the US-Aquino regime; and at present, another acceleration in the overall advance of the revolution. These experiences should be summed up comprehensively and correctly in order to deepen even more our

understanding of the specific characteristics of our people's war and the particular tasks in the present stage of the struggle.

Such a theoretical clarification is valuable to illumine and firm up the path of our advance, and not only because we look forward to the next, higher strategic stage of our struggle. The possibility is great of another historical conjuncture of escalating armed struggle, giant outbursts of mass struggles and protests, and eruption of open factional war among the reactionaries. Excellent opportunities are offered by the objective situation to speed up the weakening of reaction and the strengthening of the revolution. Guided by lessons from the past, the advantages and advances to be gained by the revolution out of the current intense crisis of reactionary rule—compared to the last years of Marcos rule—should be turned into comprehensive, more solid and bigger steps toward total victory.

Long live the New People's Army!

Long live the Filipino people!

Advance the revolution until total victory!

(First published by AB as a special release on March 29, 1991)

**E**ight Huey helicopters, five Sikorsky S-76s, nine MG520 Defender Attack helicopters and four Tora-Toras roared into the skies towards their destination: Marag Valley, Conner in Kalinga-Apayao, Abra.

At Villamor Air Base and Basa Air Base in Pampanga, five F5 jets, Augustas S211 jet fighters and Nomad Bombers stood ready to reinforce the first sorties. Two F16s of the US Air Force stationed in Clark Air Base were also on hand to support the Philippine Air Force.

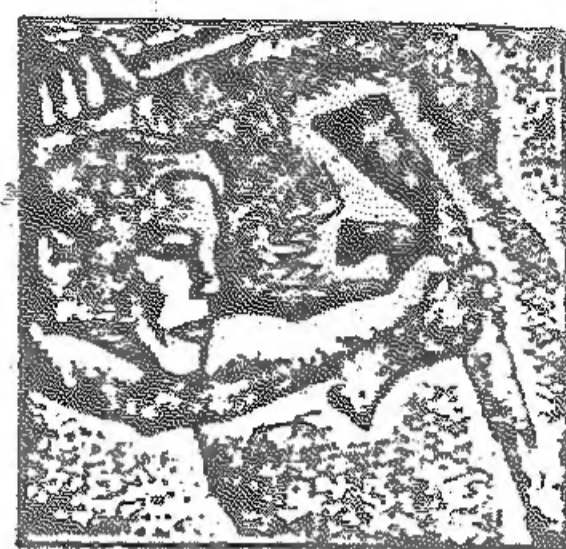
Inside the Tactical Command Center of the 5th Division headquarters in Camp Upi, Gamu, Isabela, the battle staff of the Northern Luzon Command (NOLCOM) and officials of the Joint US Military Action Group (JUSMAG) were poring over aerial shots taken by US Air Force C-130 reconnaissance flights over suspected guerilla bases of the New People's Army in Marag, Zinundungan, Paco and Conner in Kalinga-Apayao, stretching from the central Cordilleras to eastern Sierra Madre. Based on these maps, targets for airstrikes and "interdiction fire" were pinpointed and relayed to the Philippine Air Force and artillery units respectively.

In the plains, several thousand troops of the Philippine National Police and CAGU stepped up SOT activities directed against the revolutionary mass base: military-psychological operations designed to mislead the masses, throw the mass organizations into disarray and establish tight control over the barrios and towns.

Enemy operations were conducted in platoon, company and battalion size formations, supported by V-150s and Armed Personnel Carriers patrolling the major highways. Police patrols were also active while government agencies went in to set up socio-economic projects.

These are scenes, not from "Operation Desert Storm" in Iraq, but from Oplan Rolling Thunder in Northern Luzon, a NOLCOM military campaign under the direct guidance of JUSMAG.

# NPA-NL offensives hit hard at AFP's Rolling Thunder



● Lt. Crispin Tagamolila Command  
New People's Army, Northern Luzon

Unlike Desert Storm, however, Rolling Thunder is encountering tough resistance, from the NPA and the revolutionary masses. Guerilla counter-offensives have inflicted serious damage on the fascists in the past four months, as the revolutionary forces actively defend the people in the areas and the revolutionary victories that have been the fruit of years of militant struggle.

## Bigger, wider offensive

In January 1991, the NOLCOM put into gear Oplan Rolling Thunder, a division-size offensive of the AFP in Northern Luzon. While Oplan Salidummay was concentrated on Marag Valley and adjacent areas, Oplan Rolling Thunder is much wider in scope, covering suspected guerilla fronts in Kalinga-Apayao, Abra and Cagayan. The AFP wants to strike a fatal blow to the NPA in Northern Luzon before the end of Aquino's term—a grandiose goal which is turning out to be impossible to achieve.

The military forces which had ravaged northern Luzon in Oplan Salidummay were augmented and reshuffled. Three more army battalions were added to the nine already

in place. New forces were deployed to Abra from the 701st Brigade of the 7th Army Division from Central Luzon and the National Capital Region Defense Command. They replaced the 503rd Brigade, which was sent back to Cagayan Valley. The number of PNP/CAGU troops was maintained.

The intensity of operations was also maintained and even stepped up. From January 23 to February 12, the barrios of Conner, Tuao, Pinucpuc and Rizal in Cagayan and Kalinga-Apayao were shelled 200 times while the number of airstrikes was counted at 160. This was one of the most savage assaults by the AFP in the whole history of northern Luzon.

The attacks continued until March. The 5th Army Division began operations in the Zinundungan, Marag and Paco valleys on the first week of March. Airstrikes on barrios in Zinundungan were launched starting March 8. Once more, helicopter gunships and Tora-Tora planes strafed and bombed barrios in Sicalao, San Juan Sur and Norte and Gagabutan in Cagayan.

In Abra, the towns of Malibcong, Tineg, Bangilo, Mataragan, Lacub and Daguiunan were subjected to artillery bombardment and were attacked by

## Armed struggle



bombardment and were attacked by four helicopters and four Tora-Toras from Jan. 28 to March 1991. All in all, 1,600 troops took part in operations in the province. The Tingguian people in these places have risen in protest.

### Direct US participation

One element which is not surprising at all in the current military operations of the AFP is the participation of US military officials. From behind the scenes, they direct the military operations. US intervention in counter-insurgency operations has been exposed in the past. NPA intelligence officers and field commanders report new instances:

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Also in March, there were increased missions of C130KC and AWACS spy planes of the USAF over Marag, Paco and Zinundungan Valleys, as well as areas in Abra, before the launching and at the height of military operations there. Aerial photographs supplied by these planes guided the NOLCOM in pinpointing targets for bombing. When the local media asked Brig. Gen. Capulong, head of the 501st Brigade, what was the purpose of the night flights they had observed, he ad-

mitted that these were "reconnaissance flights" of the USAF.

### Bold NPA counter-offensives

Like previous AFP campaigns, Oplan Rolling Thunder is a loud clap of thunder that has only served to terrorize and inflict harm on the unarmed masses but is unable to destroy the fighting units of the NPA.

The NPA is boldly launching counter-offensives to make the fascists pay dearly for their barbarous attacks and to protect the masses and revolutionary gains. Among the main targets of NPA offensives are military camps set up to control population centers. At the same time, the people's army continues to expand its guerilla bases and fronts.

From January to April 1991, based on reports from Red commanders in the fronts, the guerillas launched more than 20 tactical offensives ranging from ambushes, raids, sabotage, harassment and sniping operations. (This does not include numerous chance encounters between the AFP and NPA.) A total of 110 AFP troops were killed, and more than 100 high-powered arms were confiscated, including one mortar and three machineguns. The people's army suffered minimal damage.

NPA counter-attacks destroyed one helicopter and partially damaged two others. A number of enemy camps were wrecked, as well as eight military jeeps and logging equipment worth several millions. Lt. Col. Carmelino Dimabuyo, a notorious officer of the 65th IB, was slain when an NPA commando team fired a volley of shots at an enemy unit conducting operations in Kalinga-Apayao on Jan. 24. As reports from the field come in, a picture emerges of much heavier damage suffered by the AFP.

The following are details on some of the major offensives (refer to the table on p. 9 for the whole report):

■ Jan. 13: Guerillas launched simultaneous attacks on three camps of the 140th Coy of the PNP in Conner.

## Armed struggle



bombardment and were attacked by four helicopters and four Tornados from Jan. 28 to March 1991. All in all, 1,600 troops took part in operations in the province. The Tingguian people in these places have risen in protest.

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## Armed struggle

Kalinga-Apayao: in Bgy. Calafug, Sitio Gassud and Bgy. Carikitan. They were overrun after one hour of fighting.

To block enemy reinforcements, other NPA units surrounded camps in Bgy. Buluan, Caglayan and Manag in Conner, as well as a company headquarters under the 21st IB-PA in Bgy. Catto, Tusso, Cagayan.

The NPA seized one M60 mortar, two M60 light machineguns and nine Garand rifles, as well as ammunition and equipment. The three camps, and one Hummer jeep, were burned down.

Eight members of the PNP and CAFGU were killed and six others wounded. The guerillas lost two of their comrades. As a result of the offensive, the AFP withdrew from the area.

■ Jan. 26: An NPA company attacked and destroyed two adjacent PNP camps in the center of Maconacon, Isabela. They seized 14 firearms, including one M70 light machinegun.

Five enemy soldiers were killed and five others wounded.

■ April 3: Red fighters successfully ambushed a PNP-CVO squad in Bgy. Bukig, Aparri, Cagayan, who were on board a jeep coming from the Tactical Command Post of the RSAF (Regional Special Action Forces). Two PNP members and six CVOs were killed on the spot, and eight firearms were captured—seven M16s and one Garand. The jeep was wrecked.

■ April 14: The NPA pounced on forces of the 120th Coy of the PNP in Sitio Culidag, Bgy. Hacienda, Baggao, Cagayan. Eight troopers were killed, including Lt. Darwin Asirit, head of the SOT Coy of RECOM 2 and the Cagayan PNP. The soldiers had just come from the logging area of United Timber License, Inc. (UTLI) which they had been guarding. Two M14s and six M16s were seized from them.

■ April 18 and 23: In simultaneous

operations, the NPA destroyed 23 trucks, six bulldozers and three "biradas" (big trucks with cables attached to haul felled trees) belonging to big logging companies in Baggao and Gattaran, Cagayan and Luna, Kalinga-Apayao. The equipment was estimated to be worth P12 million.

These sabotage operations are part of the NPA's Oplan Lapat 7, a campaign to preserve the forests from the depredations of logging firms. The campaign started in 1985.

■ April 22: The NPA raided and disarmed a post of the 5th CAFGU Coy in Bgy. San Isidro, Ilocos Sur.

The Red fighters confiscated 21 firearms, including 16 Garands, four M14s and one M1 carbine. Twenty members of the CAFGU surrendered after a few minutes of fighting.

Guerillas also wrecked two jeeps carrying enemy reinforcements in Bgy. Pila East, Sta. Lucia, Ilocos Sur. ●

### NPA-NL TACTICAL OFFENSIVES: JANUARY TO APRIL 1991

Date	Place	Type	Captured	Damaged	Dead	Wounded
1/3	Lamut, Ifugao	harassment			1 PA	
1/5	Jones, Isabela	harassment				
1/13	Conner, Kalinga-Apayao	raid	1 mortar 2 M60 LMG 9 Garand	3 camps 1 jeep	8 PNP/CAFGU	8 CAFGU
1/23	Conner, Kalinga-Apayao	encounter			8 PA	
1/24	Luna, Kalinga-Apayao	harassment			1 PA	
1/26	Maconacon, Isabela		1 M60 LMG 13 firearms			5 CAFGU
1/28	Tineg, Abra		2 M16	1 camp	23	
2/10	San Isidro, Isabela	raid	1 M203 4 HPR			
2/16	Malibcong, Abra	ambush			7	7
2/26	Malibcong, Abra	ambush	9 firearms		9 PA	17
3/14	Pasil, Kalinga-Apayao	ambush		1 jeep	3 PNP	4 PNP
4/3	Aparri, Cagayan	ambush	7 M16 1 Garand	1 jeep	2 PNP	8 CVO
4/6	Sarrat, Ilocos Norte	ambush	7 firearms	1 jeep	7 PA/CAFGU	
4/13	Balbala, Kalinga-Apayao	harassment			4 PNP/CAFGU	
4/14	Baggao, Cagayan	ambush	2 M14 6 M16	1 jeep	8 PNP	
4/16	Abulug, Cagayan	ambush	6 firearms	1 jeep	6 PNP	
4/18	Gattaran, Cagayan	sabotage		23 trucks		
4/23	Luna, Kalinga-Apayao	sabotage		6 bulldozers 3 birada		
4/19	Kabugao, Kalinga-Apayao	encounter			6 CAFGU	
4/22	San Isidro, Ilocos Sur	raid	4 M14 16 Garand 1 M1 carbine	2 jeep	(20 CAFGU surrendered)	
4/29	Madalla, Quirino				2 CAFGU	
4/29	Sto. Nino, Cagayan	ambush	6 M14		6 PA/CAFGU	

The New People's Army in Panay seized 21 high-powered firearms, including two M60 machineguns, in seven encounters with AFP troops from January-March 1991, according to initial reports from *AB* correspondents in the island.

These victories signal the development of Panay, composed of the provinces of Aklan, Antique, Capiz and Iloilo, into a major arena of the armed resistance in the coming years.

In Sibalom, Antique, the NPA ambushed a platoon of the 15th IB-PA and CAFGUs at the boundary of Bgy. Luyang and Tula-Tula last March 15.

Three days before the ambush, the area had been swarming with military troops engaged in "clearing operations." After harassing the people, they conducted "civic action."

The guerillas studied the pattern of enemy movements and based on this staged the ambush. At 5:15 a.m., they hit the platoon under the command of Lt. Bernardez. It was wiped out after two hours of fighting, despite reinforcements sent by the AFP Regional command which included two helicopter gunships.

The guerillas confiscated one M60 machinegun, five M16s, two M14s, one .45 caliber pistol and different kinds of ammunition. Seven soldiers of the 15th IB-PA, including Lt. Bernardez, and one CAFGU member were killed. One soldier, named Eduardo Ejar, was captured but was released immediately after. One guerilla, Ka Rios, lost his life.

Earlier, on Feb. 1, the NPA raided the 4th CAFGU Platoon under the 315th PNP Coy in Bgy. San Joaquin, Pandan, Antique at one o'clock in the morning. After two hours of intense fighting, they were able to overrun the CAFGU positions.

The guerillas captured one M60 machinegun with 700 bullets, one M14, two Garands, ammunition and three

## NPA-Panay greets 1991 with victories

*It's only the beginning...*

military packs. Two paramilitary elements died and three were seriously wounded. The others fled.

The NPA lost one fighter, Dioscoro Dalisay (Ka Albert).

Meanwhile, in the southern part of Panay, in Iloilo, an NPA unit ambushed forces of the 15th IB-PA in Sitio Riray, Bgy. Igcabugao, Igbaras last Feb. 8.

Three PA troops were killed. One was captured but released the following day. The NPA added to their arsenal three M16s and one M14. They suffered no losses.

Other offensives mentioned by *AB* correspondents (but with incomplete details) were one in eastern Panay sometime in mid-January, which netted 4 M16s; and a raid in Ibajay, Aklan, also in January, where one M14 was seized.

### Accelerating momentum

The successful NPA actions in Panay in the first quarter of 1991 show the accelerating momentum of armed struggle in the island.

According to the document, "Assessment of the Armed Struggle (February 1988-October 1990)," sent by a correspondent to *Ang Bayan*, the NPA engaged in 375 military actions, 233 or 65% of which were tactical offensives, within the period covered by the assessment.

In the same period, the NPA arsenal increased by a net total of 34 high-powered arms (76 were seized from the AFP, but 42 fell back into

enemy hands), 32 handguns and 49 shotguns and bolt action rifles. Some 330 regular and paramilitary troops were killed.

Compared to the 1986-87 period, military engagements rose by 44 percent. The NPA also launched more big offensives that defeated platoon-size enemy formations that were heavily armed and had air support.

The document also reported breakthroughs in

the use of explosives and landmines, such as in the ambush on combined forces of the police, CAFGU and PA in Igbaras, Iloilo in the first half of 1990.

NPA offensives totally wrecked or partially damaged two Sikorsky helicopter gunships, seven patrol vehicles, one M35 military truck, and the municipal hall and a police station in Buruanga, Aklan.

### Preserving one's forces

The assessment document pointed out that the mere fact that the NPA preserved its forces and defended the gains of the revolution were substantial victories in themselves, considering that enemy attacks in all spheres—military, political, economic, propaganda/cultural and diplomatic—surpassed the ferocity of those launched by the Marcos dictatorship.

Revolutionary forces maintained their hold on strategic positions in the island, although they had to withdraw from some areas in the plains due to strong pressure from the enemy and the lack of forces to attend to such work. Other gains included the recovery of one partisan front, expansion to other areas, and the growth of local guerilla units.

On the whole, despite many problems, the NPA in Panay has sufficient strength, experience and room for maneuver in order to score greater victories. Their offensives during the first quarter of 1991 are just the beginning.

# Guerillas blast PNP's first laboratory

*"Defeating us  
in three months  
is a madman's  
delusion."  
—NPA Mindoro*

**R**ed fighters attacked and almost wiped out a 21-man platoon of the PNP in Bgy. Lisap, Bongabon, Mindoro Oriental last April 9, according to an AB correspondent in Mindoro.

After two hours of fighting, guerillas under the Lucio de Guzman Command completely overpowered the PNP forces. Eight enemy soldiers were killed and six were seriously wounded. Five were captured by the NPA, including Capt. Enrico Salapong, head of the 215th PNP Coy.

The offensive netted for the guerillas 19 high-powered firearms—14 M16s, two M203 grenade launchers and one baby Armalite, plus ammunition and some military equipment.

The NPA offensive struck a hard blow at the newly formed Task Force Mina de Oro (TFMO) of the AFP, to which the platoon belongs.

The TFMO was formed last March to take charge of the gradual constriction strategy in Mindoro and launch coordinated and sustained military operations to crush the people's army on the island. Under the command of Col. Rogelio C. Aguana, the TFMO merges two PNP commands in Mindoro, the seventh largest island in the country.

"Mindoro is the first island where the PNP has assumed full responsibility for eliminating the insurgency," said PNP Director General Cesar P. Nazareno. PNP Regional Director Evaristo Carino also boasted that under the leadership of the TFMO, the revolutionary movement on the island will be destroyed in three months.

In line with their plans, eight new PNP companies were brought in to augment the seven companies already there. Other forces in the province are a battalion of the Special Action Forces, as well as 30 Special Operations Teams and several CAFGU battalions. Heavy weapons and attack helicopters were also delivered to beef up their arsenal.

Militarization is expected to escalate in Mindoro as the AFP puts its counter-insurgency campaign into full

gear. But this will only serve to fan the flames of resistance among the Mindoreños and their people's army.

The enemy's alacrity in moving to defeat the insurgency in Mindoro is an admission that the revolutionary movement is deeply rooted and flourishing in the island. Mindoro is now one of the major arenas of the revolutionary war. (Read AB, February 1989)

AB correspondents also sent reports on the following NPA actions:

■ A company-size PNP-CAFGU force attempted to raid a training camp of the NPA in Bgy. Camurong, Abra de Ilog, Mindoro Occidental last March 29. The enemy attack was foiled by the valiant defense of two Red fighters in charge of the camp's security.

The PNP-CAFGU retreated without having fulfilled their mission. As they did so, however, they were ambushed by an NPA unit. One PNP soldier was slain and several CAFGU members were wounded.

■ An NPA squad encountered an 18-man PNP-CAFGU group in Sitio Bungkarot, Buong Lupa, Gloria, Mindoro Oriental last March 18. After two minutes of exchanging shots, one PNP soldier and one CAFGU member were killed. The NPA suffered no losses.

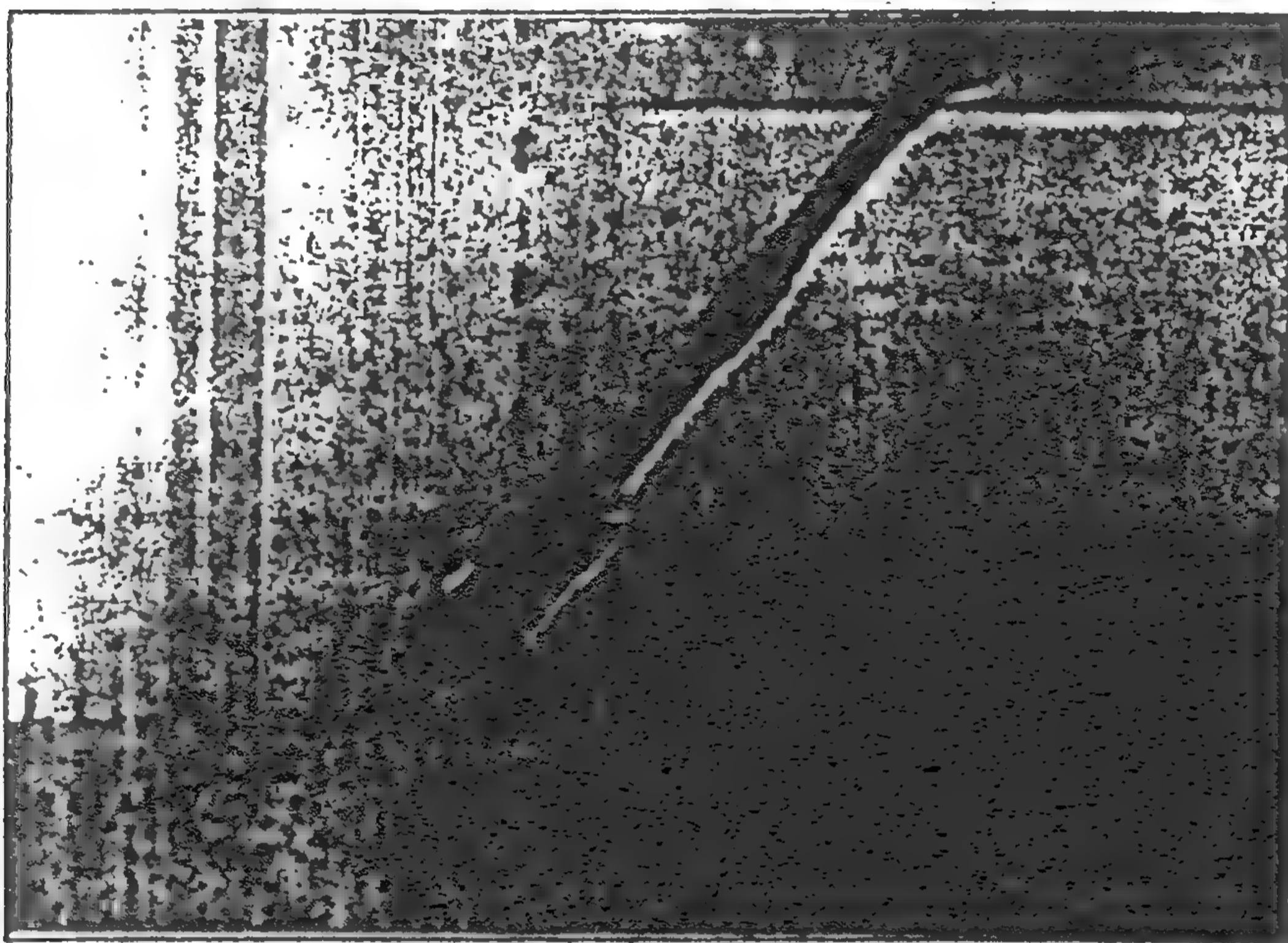
■ An NPA squad clashed with forces of the 262nd PNP Coy and CAFGUs at Sitio Lagpan, Bgy. Sabang, Pinamalayan, Mindoro Oriental on Feb. 7.

The Red fighters were posted in one of the houses in the barrio when they noticed the enemy surrounding them. They immediately fired at the enemy troops and one CAFGU member died on the spot. The guerillas were able to withdraw safely after eight minutes of fighting.

The revolutionary forces in Mindoro have full confidence that they can overcome the latest counter-revolutionary scheme of the enemy. According to Victor Rivero, spokesman of the Lucio de Guzman Command, "The enemy's three-month target (for defeating the NPA) is a madman's delusion."

## Negros NPA overcomes enormous odds

*One of the most intense AFP campaigns fails to drive the revolutionary forces out*



Guerillas destroy a 155 mm howitzer in Candori in March 1990

At two in the morning, Feb. 24, an NPA unit crept towards a detachment of the 3rd Platoon of the Alpha Coy, 7th IB-PA in Sitio Kapaklan, Inayawan, Cauayan, Negros Occidental. At a given signal, they let loose a volley of fire.

After two hours of intense fighting, the assault squad was able to control the detachment. Seven AFP soldiers lay dead and many were wounded. The others scampered away.

This successful raid won for the NPA one M60 machinegun, two M14s, three M16s, one Garand and two radios (one base and one handset).

A month earlier, on Jan. 24, the NPA had confiscated a recoilless rifle (the first one in the province) and four

Garands during an ambush on forces of the 7th IB-PA in Sitio Kipot, Bgy. Manlokahoc, Sipalay.

The enemy was on patrol when they stumbled on a claymore mine laid by the guerillas. Four soldiers were killed and several others were wounded.

The two offensives are only some of the major NPA actions in Negros the past months, according to reports in *Pulang Hangaway*, newspaper of the NPA-Negros. All of these brought in a total of 24 high-powered firearms to the NPA arsenal. A total of 20 enemy troops were killed.

These victories in the battlefield are strong counter-blows to the AFP's counter-insurgency program in

Negros, which has been one of the longest and most intense in the whole country. As soon as Aquino regime came to power, the island was transformed into a laboratory for its total war. At the start of its campaign, the AFP had arrogantly declared that it would finish off the NPA in three years.

The counter-insurgency program reached its height in Oplan Thunderbolt, a military campaign marked by heavy and constant artillery and aerial bombardment of suspected guerilla bases in Negros. It caused untold suffering to the Negros masses. Thousands of barrio folk became refugees in their own country. Hundreds of people, many of them children, died from diseases in the evacuation centers. Scores were "salvaged" by the AFP.

The AFP campaign has lasted four years but, according to a statement by Celso Magsilang of the Negros Island Regional Command of the NPA, the people's army has suffered no decisive defeat. The companies and platoons in the guerilla fronts remain intact. In fact, the NPA formations are growing in strength and number.

Magsilang added, "We continue to steadily recover territories left behind and rebuild the mass organizations."

Other reports from *Pulang Hangaway* and *AB* correspondents:

■ Ambush in Pamplona, Negros Oriental, Feb. 8 — one M16 was confiscated and one soldier killed.

■ Ambush in Sta. Catalina, Negros Oriental, Feb. 9 — one Garand was seized and a CAFGU member killed.

■ Ambush in Sta. Cruz, Murcia, Negros Occidental, Feb. 5 — The NPA attacked a squad of the 11th IB-PA on board a six-by-six. Five were killed and five wounded. Four Garands and one carbine were taken.

■ Ambush on a 10-man force of the 606th Coy of the RSAF — The troops were aboard a truck travelling through Bgy. Odiong, Moises Padilla. Ten were slain, including Lt. Romm Galido. The guerillas captured two M14s, two baby Armaletes, one M16, one .45 pistol, and two communication radios. ●

## Various Reports

### ZAMBOANGA

A landmine planted by guerillas blew up a six-by-six truck of the Philippine Army in Ariosa, Josefina, Zamboanga del Sur on April 6.

Sixteen enemy troops died on the spot and many were wounded. The soldiers belonged to the 32nd IB-PA, who were surveying the area in preparation for a military operation.

Also on the first week of April, in Bgy. Sugbay-dos, Pitogo, Zamboanga del Sur, an army intelligence officer was ambushed and killed.

(Correspondent)

### SURIGAO

The NPA raided the headquarters of the PNP Coy in Tagmalinao, Cagaioit, Surigao Sur on Feb. 17. They seized six high-powered rifles (HPR) and captured four PNP soldiers.

The guerillas also ambushed reinforcements and got six more firearms.

Earlier, also in February, the NPA raided the municipal hall in Bacuag, Surigao Norte and took three HPRs.

In the nearby province of Agusan Sur, Red fighters assaulted a CAFGU detachment in Tagbili, Esperanza, in March. Eight firearms were confiscated.

(Correspondent)

### LANAO

Red fighters ambushed combined forces of the CAFGU and the 10th

IB-PA in Mabuhay, Karomatan, Lanao del Norte during the last week of January. Three troops were killed and four wounded.

Before this, an NPA unit had a skirmish with forces of the CAFGU and 23rd IB-PA in Berwar, Tangkal, Lanao del Norte. The enemy had spotted two guerillas bathing in a river and fired at them. The guerillas not only managed to escape but also to fire back and kill two fascist troops.

(Correspondent)

### AURORA

An NPA platoon ambushed a 17-man unit of the 56th IB-PA and CAFGU in Sitio Sian, Bgy. Villa, San Luis, Aurora, last Feb. 13.

Seven soldiers died, including Lt. Romeo Urbano, the team leader. Nine others were wounded and surrendered. Before withdrawing, guerillas treated the wounded troopers.

The NPA seized three M14s, five M16s and lots of ammunition.

(Himagsik)

### ZAMBALES

The NPA ambushed a combined force of the PNP-PA along the highway in Bamban, Sto. Rosario, Masinloc, Zambales last Jan. 29.

Three troopers were killed and three were wounded. They were members of the 162nd PNP Tactical Coy and 60th IB-PA, notorious for their

blood debts to the people. The 60th IB-PA was involved in the massacre in Lupao, Nueva Ecija in February 1987 as well as in a number of killings in Aguilar and Dasol, Pangasinan last year.

(Himagsik)

### RADIO SIERRA MADRE

Radio Sierra Madre was heard on the air once again last March 29 on the occasion of the 22nd anniversary of the NPA's founding.

In a thirty-minute broadcast, the RSM reported on the victories in the revolutionary armed struggle. It featured an interview with Ka Roger, NPA spokesman in Southern Tagalog. Ka Roger called on the people to support the armed revolution in whatever way they can. Revolutionary songs were played afterwards.

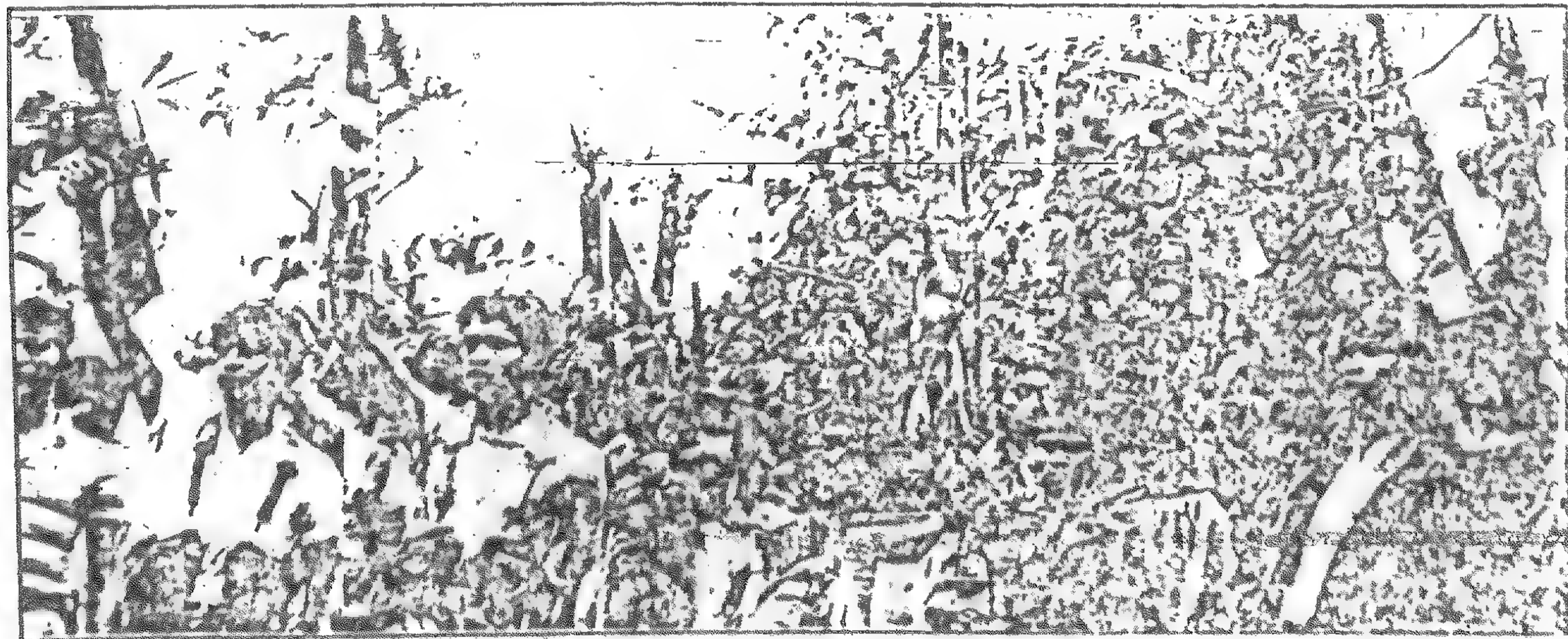
The RSM had its first broadcast on Dec. 26, 1987.

(Talibang Bayan)

### LIGHTNING RALLY

Activists and sympathizers of the National Democratic Front staged a lightning rally at Baclaran last April 24 to celebrate its 17th anniversary.

They marched in the streets shouting revolutionary slogans and calling for the overthrow of the Aquino regime. They also distributed to onlookers leaflets containing the NDF program.



Pakinggan ang tulang  
alay sa inyo  
Musmos man ako'y  
may nais sabihin  
Sana'y iwaksi  
ng inyong puso  
Ang aking pighati

(Listen to the poem  
I offer you  
Though but a child  
I have something to say  
May your heart  
cast away  
my sorrows.)

—Poem by Melo Dugay, 4

Lush green foliage, mighty trees, verdant lands washed by rivers, cool refreshing winds—this is Marag Valley, home of the Isnég people of northern Luzon. Its pristine beauties are matched by its bounties: the area cradles one of the last virgin forests in the country, while valuable minerals lie untapped deep within its bowels.

For centuries, foreign and local exploiters have lusted after Marag Valley, yearning to turn its natural wealth into millions of pesos of profits for themselves.

Now, a fierce military campaign—the latest of many all throughout its history—once more rages in Marag Valley. The Aquino regime has unleashed Oplan Salidummay in order to “liberate the area from communist occupation,” and big loggers and mining

companies have been operating in Marag. One of these is Taggat Industries, owned by Marcos crony Alfonso Lim, in partnership with Jardine Davies, Inc., a British-US company based in Hongkong.

The Marag population is composed mostly of Isnég minorities (also called Apayaos from the Apayao river), though there are also Aggays and Ilocanos there. Apart from the places mentioned, the Isnégs can also be found in Pudtol and Flora, Kalinga-Apayao; Sanchez Mira and Claveria in Cagayan; and Carasi, Dumalneg and Adams in Ilocos Norte.

Why Marag Valley has become the focus of one of the biggest AFP campaigns is easily seen. The area has 631,954 hectares of luxuriant forest, the largest in the entire Cordilleras, and abundant mineral deposits—all of which have hardly been touched.

Since the 1960s, big logging com-

## Marag Valley under fire

*Despite fierce artillery and air bombardment, the Isnég people refuse to yield. A new generation is turning tragedy into defiance.*

companies are following in its wake. Massive artillery and air bombardment is driving away the people who have staunchly guarded the valley from foreign and local despoilers and kept its natural harmony for hundreds of years.

But the Isnég masses are strongly united and refuse to yield, fighting back the best way they can, through armed and non-armed methods, through open and secret means. Firmly behind them are their countrymen all over the archipelago who are one with them in their plight and resistance. And fighting beside them as they struggle to defend their lives, lands and livelihood is the New People's Army, an army which counts among its members their finest sons and daughters.

### Why the war in Marag

Marag Valley is located at the border of northern Kalinga-Apayao (or the southern portion of Apayao sub-province) and northern Cagayan. It is

Until about 1983, according to the Philippine Census and Statistics Office and the Timber Licensing Agreement (TLA) of Taggat Industries in that year, the company had rights to 600,000 hectares of forested lands in Kalinga-Apayao, Cagayan and Ilocos Norte. Based on the TLA, the 20,000 Isnégs living in these concessions were considered to be mere “transients” or “squatters.”

Apart from Taggat, other logging companies with licenses to operate in Apayao include the Pamplona Redwood Veneer Plant, Inc. (PARVI), Sta. Teresita Wood Industries, Inc., Northern Luzon Mahogany Exporters, Inc., United Timber Licenses, Inc., Celulose Processing Corporation and PHIVIDEC of the AFP. They are fast

depleting the forest reserves, and this has brought floods and drought to the lowlands of northern Luzon.

There are also rich deposits of gold, copper and coal in the area, according to studies. In fact, central and western Apayao has been divided into nine mining areas, which have all been bought up by big capitalists.

Moreover, from Marag Valley and its tributaries can be generated hydroelectric energy. The Aquino government is planning to proceed with ambitious infrastructure projects earlier thought up by the Marcos regime, such as the Gened Dam Project in the Abulog-Kabugao complex, the Chico River Dam Project, and the Kalinga-Abra road. All of these will ruin or submerge the ancestral domains of several Cordillera minorities.

For the Isnegs, penetration and control of their areas by foreign and comprador interests can only mean one thing: dispossession of and dislocation from their homelands and with it, the gradual extinction of their race.

No wonder the new generation of Isnegs is putting up such fierce resistance. An Isneg leader sums up their sentiments: "This is our home. This land has been ours for centuries. This is where we will die." Truly the blood and sweat of the Isneg people are already part and parcel of the land they have valiantly safeguarded and nurtured for so long.

#### Centuries of struggle

The Isnegs are—and have always been—a friendly people. When the Spanish colonizers came, they accepted the missionaries and allowed them to spread Catholicism within their ranks. But they strongly protested the taxes imposed by the church and

the colonial government. The forced imposition of such taxes triggered native revolts.

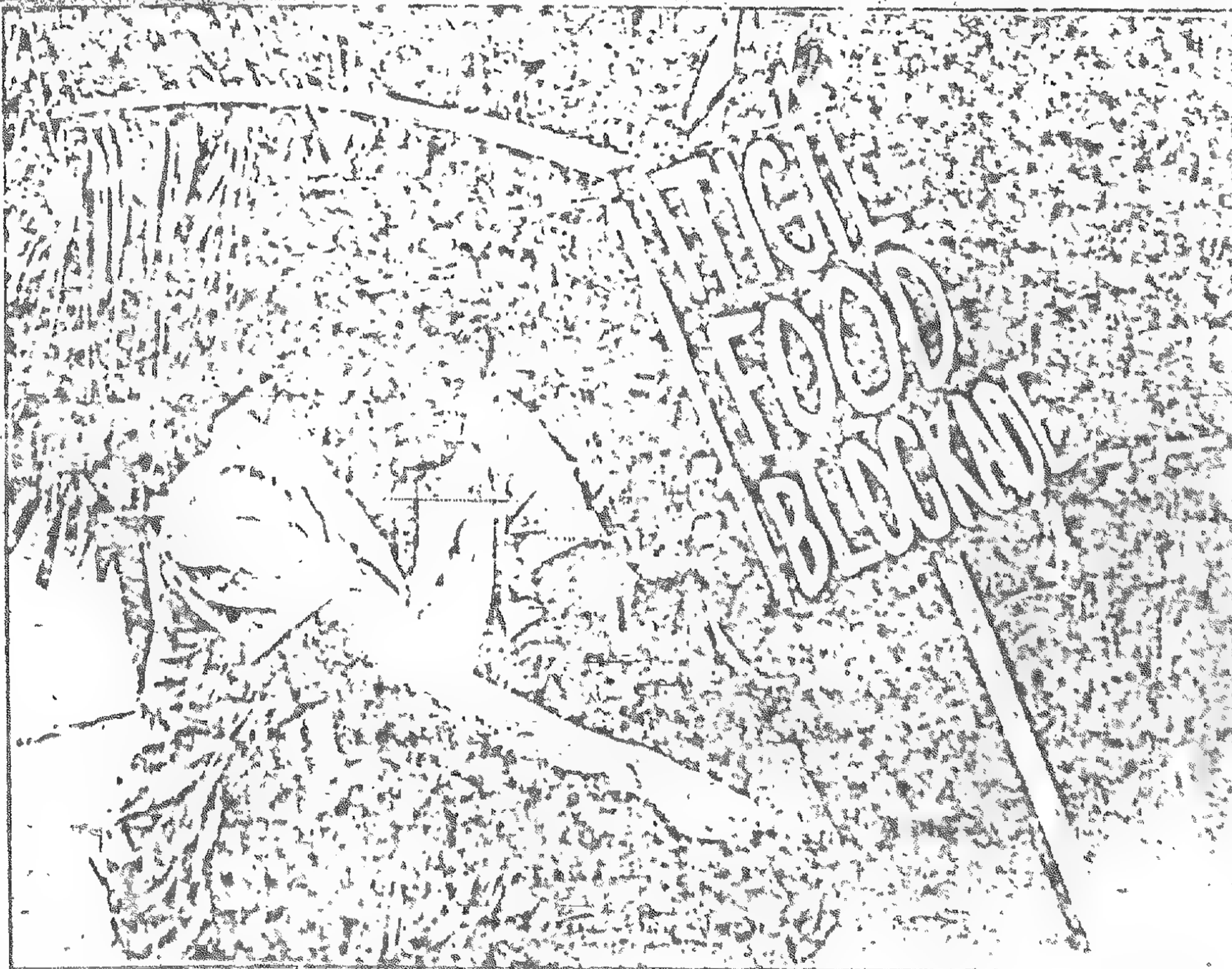
From 1595 up to the nineteenth century, the Spaniards sent several armed expeditions to Apayao but were repeatedly repulsed. Isneg leader Juan Magsanep supported the uprising led by Diego and Gabriela Silang (1762-65). They also took part in the Palaris rebellion (1762-64) centered in Pangasinan and the Basi revolt in the Ilocos in the 1800s. It was only in 1893 that a Political-Military Command was set up in Pudtol, Apayao.

During the period of US rule, many armed encounters between the Isnegs and American constables in Apayao were recorded. In 1913, the US armed forces launched massive attacks on Kabugao. In the decisive Battle of Gaga, they wiped out 5,000 Isneg warriors and destroyed the houses, crops and other properties of the tribe. The US also suffered great losses but was eventually able to impose its rule.

During World War II, the Apayao mountains served as a base of the US

Forces in North Luzon (USFINL) under Col. Volckman and Ralph Praeger. A guerilla force under the leadership of Col. Blackburn was organized—the 11th Battalion, also called the "Blackburn Headhunters" because it was made up mostly of Isnegs. It became the main regular force of the USFINL in Cagayan Valley and led the way in the liberation of Tuguegarao, Cagayan and Mayaoyao, Ifugao and the surrender of the Japanese in the Cordilleras.

After World War II, politicians and compradors became interested in the vast forests of the area. Warlords like David Puzon of Cagayan (congressman of Kalinga-Apayao for a long time), Dupaya, Alfonso Lim and others made huge profits from logging. From 1965 to 1986, they grabbed lands and ravaged the mountains, especially those in the Marag Valley, Paco Valley (between Pudtol and Flora, Kalinga-Apayao) and Zinundagan Valley (at the Kalinga-Apayao and Cagayan boundary). But, at every turn, they met the resistance of the Isnegs, hindering



their full exploitation of the land's riches.

#### Revolutionary awakening

In 1980, the struggle of the Isneg people took on renewed vigor with the growth of the revolutionary movement within their ranks. An NPA unit from eastern Cagayan first came into contact with Isneg masses in the towns of Flora, Pudtol and Luna in Apayao. Their first joint effort was cleaning the area of carabao rustlers who were then under the protection of the warlord David Puzon.

movement implemented Oplan Lapat (meaning forbidden), which sought to restrict if not totally ban logging in the area in order to protect the remaining forests and assert the Isnegs' right to their ancestral domain. Oplan Lapat was one of the main reasons why logging in Marag Valley temporarily stopped in 1986.

Because of all this, the Isneg masses enthusiastically embraced the revolution. They realized even more the need for armed defense of their lands and livelihood, and many actively took part in the revolutionary armed

pendent political strength, are direct assaults on the interests of the ruling elite and the reactionary state.

As early as 1981, when the state became aware of these revolutionary activities, the AFP began big military operations in Marag Valley itself or the wider area within which it is nestled. Forcible evacuations of the people in the targetted areas have been a common occurrence since 1982.

Among the most notorious military campaigns were Oplan Timberland during the Marcos fascist dictatorship and Oplan Redbuster and Oplan Salidummay under the Aquino regime.

The AFP's Oplan Timberland aimed to safeguard logging operations in the face of the increasingly effective struggle of the Isnegs against them. AFP troops acted as security guards of the timber companies. In March 1985, for the first time, Sikorsky helicopters and Tora-Tora planes pounded Marag Valley and adjoining areas. The PAF used the airport of Taggat Industries as launching pad for their air strikes.

At the same time, the municipal council of Luna then under Mayor George Bargas declared Marag Valley as "no man's land." They also gave the go-signal for the military's use of extremely destructive weapons, including chemical bombs. Everyone within the zone became a target of fire.

In 1987, as Aquino declared "total war" against the revolutionary forces, Oplan Redbuster was launched by the Northern Luzon Command. Its target: to crush the NPA forces operating in the valleys of Marag, Paco and Zinundungan and in the plains of Allig and Nabuangan.

Under Oplan Redbuster led by Brig. Gen. Felix Brawner, six battalions of the 5th Division of the Philippine Army composed of 5,000 soldiers attacked Isneg areas in Paco Valley. This was the first division-size operation in northern Luzon; the forces involved were the 21st IB, 48th IB, 17th IB, 54th IB and ten companies of the First Scout Ranger Regiment. During the operations, a total of 29 Isnegs were killed

*"This is our land; it has been for centuries. We are ready to die here"—this is the vow of the old as well as new generation of Isnegs.*

In the years that followed, the Isneg masses and the revolutionary forces launched campaigns to raise the price of bananas (one of the crops from which the people derive income in addition to palay and forest products such as uway) and to put a stop to the extortion activities of forest rangers. They asserted the right of the masses to benefit from the forest.

As a form of protest against the Abulog Dam Project in Kabugao, Kalinga-Apayao, an NPA unit composed of many Isnegs raided the project site and office in Bgy. Dakao, Flora on May 31, 1984. The guerillas wrecked equipment worth P80 million, forcing the Marcos regime to abandon the project.

In the struggle against rampant logging in the area, Taggat Industries was one of the people's main targets. Apart from its destructive logging activities, the company was also collaborating with the AFP against the revolutionary movement. In 1984, the NPA broke up the Taggat Logging Camp in Bgy. Matad, Pudtol as well as another in Claveria in May 1985.

In 1985, in response to the clamor of the Isneg masses, the revolutionary

struggle. A growing number of young Isnegs, both men and women, joined the NPA until they were able to form a platoon-size guerilla force in 1983. In 1984, this reached company-size. Revolutionary mass organizations and organs of political power were set up.

In a decade of revolutionary work among the Isnegs, many mass leaders, Party cadres and Red fighters and commanders emerged from their ranks. They now lead the Isneg people in the continuing struggle for their rights as a people and for the whole country's liberation.

Others have become revolutionary martyrs—among them, Paredes Pulisi, commander of an NPA company, killed in 1985 during a raid on the municipal hall of Luna, Kalinga-Apayao; Bee Guisit, head of a militia platoon, killed in May 1990 in Calanasan, Kalinga-Apayao; and Laarni Pulsi, leader of a partisan platoon, slain during an NPA operation in Laoag City in 1987.

#### Enemy response

The political and military actions of the Isneg masses, the emergence of an organized people exercising inde-

and Paco Valley and surrounding territories were severely damaged. At one point, jets of the USAF and an AFP Strike Wing bombed the area continuously for nine days.

The 54th IB also conducted operations in Marag Valley but, because of the heroic defense of the masses and the people's army, it lost almost an entire company of fascist troops.

Brigade-size operations were launched from July to August 1989, before the failed coup d'etat. For the sixth time since 1985, Marag Valley was subjected to artillery and aerial bombardment.

#### Oplan Salidummay

Oplan Salidummay is the biggest, widest and most brutal military operation in Marag Valley and adjacent areas. Like Oplan Redbuster, it boasts of huge forces: 5,000 troops belonging to 10 battalions of the 5th Infantry Division, PA, PC Regional Command II and Cordillera Regional Command. Also involved is a PAF strike wing with nine Huey helicopters, four Sikorsky helicopter gunships, five Tora-Toras and three F5 jets.

From Sept. 27 to Dec. 9 last year, the enemy dropped 160 bombs and slammed 81 rockets into Marag; 105 mm howitzers shelled it 150 times. Meanwhile, ground troops assaulted the towns of Luna, Sta. Marcela, Flora, Pudtol, Kabugao and ~~Cafanasan~~ in Apayao, and also the Cagayan towns of Abulog, Pamplona and Sanchez Mira. Food and medicine blockades were enforced.

The AFP shrugs away its relentless bombing of Marag with this facile answer: "There are no civilians in Marag" (a statement by Gen. Capulong, chief of the 501st Infantry Brigade). Maj. Gen. Guillermo Flores, AFP vice chief of staff, claims that only the NPA has suffered casualties: 120 "communist rebels" killed and 34 wounded.

On the other hand, human rights groups reported that since January 1990 six persons have been killed and five wounded as a result of the bomb-

ings. About a hundred have died from diseases spawned by dismal living conditions in the evacuation centers and other places where the Isnegs have taken refuge. More than 100 hundred houses were destroyed.

One incident is particularly revealing. As AFP troops swept through an area, close behind them were employees of the big logging companies, together with DENR officials, putting marks on trees which they intended to cut down later on. According to the DENR, 2,531 trees bore such marks. Also trailing the AFP were huge bulldozers paving a road straight into the forest.

#### Resistance

Despite the ferocity of Oplan Salidummay, the Isneg masses are fighting back heroically, just as they did against the Spanish and American military expeditions and against the first campaigns of the AFP during the Marcos dictatorship. Despite tremendous sacrifices, they have scored initial victories.

The armed defense groups of the Isnegs constantly harass the enemy. Among their weapons are native traps such as *balais* and *palab-og*, which are much feared by the aggressors. Sniping operations have also been effective.

The NPA under the Lt. Crispin Tagamolila Command waged tactical offensives over a wide territory within and surrounding Marag Valley, even at the height of Oplan Salidummay. A total of 60 AFP troops were killed and four helicopters, four Tora-Toras, two F5 jets and one F16 of the USAF were damaged (read *AB*, January-February 1991 issue, and article of the Lt. Crispin Tagamolila Command on p. 7).

The Isneg people are also exposing and fighting against military abuses

and atrocities, with the support of human rights organizations and other sympathetic groups. Fact-finding missions have succeeded in baring the full extent of the damage done by the AFP campaign to the people and to the land. Even some officials of the Aquino government found it difficult to justify and supported the popular demand to halt the destruction of Marag Valley.

But the generals desperate to wrest a military victory would not agree. Last March, Gen. Flores declared that operations would continue because "the NPA still controls Marag Valley." Unwittingly, he had admitted their utter failure.



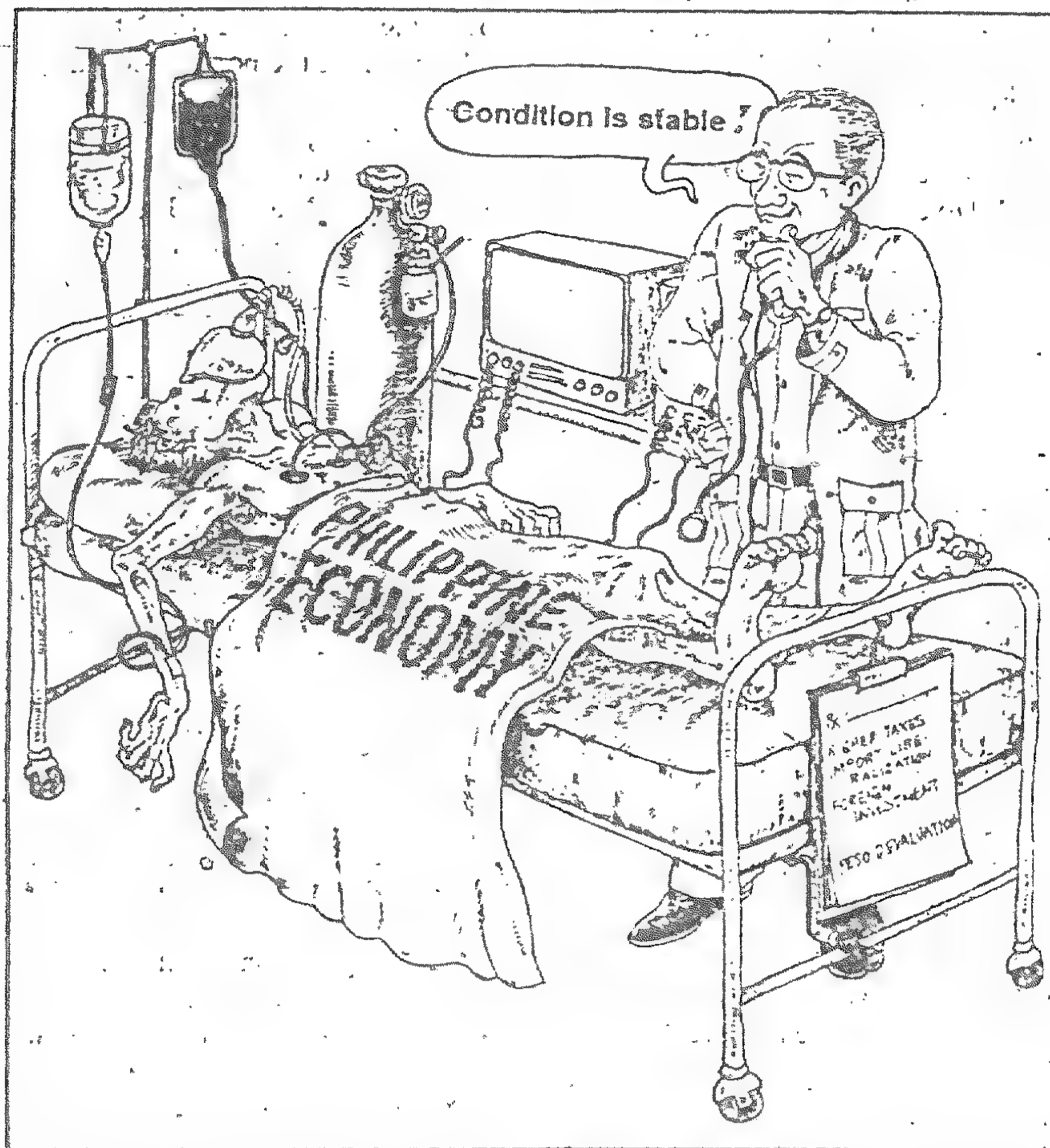
The AFP sends them bombs and bullets, not food and medicine

The tragic victims of all this are the Isneg children. Their emaciated bodies, the darkness in their eyes, and the silent grief that has engulfed them seem to paint the picture of a vanquished race.

Listen, then, to Melo Dugay, four years old, and Randy Appoldo, six. They recite poems that plead for compassion but at the same time ring with rage against what has been done to them and their people by the war machine of the Aquino regime.

Should military might ever succeed in defeating the present generation of Isnegs, a new generation will surely lift up the flag of struggle where it falls to the ground.—From reports filed by the Lt. Crispin Tagamolila Command of the NPA-NL, Rosa Villanueva of the NDF-Far North Luzon, and *AB* correspondents in NL.

# THE ECONOMY: DOWN AND OUT



*Only immediate  
debt relief,  
together with  
structural  
change, can  
bring the  
economy back  
to its feet*

**P**rophets of boom within and outside the Aquino regime are at it again. According to them, the rapid downward plunge of the economy, which saw GNP growth sinking to 3.08 percent last year from 5.7 in 1989, has been arrested. They blithely predict the start of another economic recovery ("the worst is past"), upturn or even prosperity.

True enough, there has been an improvement in the balance-of-payments position. The foreign exchange rate has "steadied" at P28 to a US dollar. The huge public sector deficit has

been reduced. And interest rates are beginning to go down.

But should the Filipino people rejoice over these alleged "positive developments"? Far from it. All these are the signs—not of an economy getting back on its feet—but of an economy that has become so prostrate that its needs have been reduced to those of basic survival.

"What we are witnessing today is...the stabilization of the economy at a low level of income," warns Emmanuel de Dios, a progressive economist ("Sic Transit Gloria GNP," speech for the Freedom From Debt Coalition, Feb. 15, 1991). "(It) does not mean the dollar shortage has been solved; it only means the economy is too weak for it to be felt."

The depth of the recession is graphically seen in the substantial drop in import growth for the first two months of 1991—11 percent, compared to the 30.1 percent for the comparative period in 1990. Theoretically, this should help narrow the BOP gap, as exports—supposed to be buoyed up by the sharp devaluation of the peso in end-1990—are able to catch up.

But, ominously, there has been a corresponding decline in export earnings, which posted a gain of only 3.9 percent for the same period. The major export industries such as garments and electronics—which have replaced the traditionalists like sugar and coconut oil as the main dollar earners—have a high import content and are also extremely dependent on foreign exchange. Thus, they cannot pull the economy out of the doldrums.

In a highly import-dependent economy like the Philippines, high growth rates can only be fuelled by extremely rapid growth of imports of capital and intermediate goods, according to a report of the United Nations development Program. (The UNDP report was prepared by a group of economic experts from the Massachusetts Institute of Technology.)

The economic slump was bound to come as soon as there was a shortage of foreign exchange to finance such im-

ports. The fact is that economic growth could no longer proceed as before. According to de Dios, "Even were the government to succeed in cutting its budget deficits, interest rates were lowered and investments as a result started to pick up, 'the benefits from this would soon reach their limits in the foreign exchange constraint...Low as interest rates might be and as bullish as entrepreneurs' animal spirits might seem, the surge in domestic investments—and hence, growth—that would result would soon lead to an exhaustion of foreign exchange reserves."

The Aquino regime should consider itself lucky if it achieves GNP growth of two to three percent this year, as the NEDA estimated. In the view of other economists, whether progressive or conservative, there are so many factors that can lead to zero or even negative growth. For one thing, the "stabilization program"—which is designed to be a quick fix to the BOP crisis—is deepening the recession.

Government measures to reduce its budget deficit in line with the IMF-approved target include substantial cutbacks on capital expenditures. Except for "impact projects" designed to serve the electoral ambitions of the Aquino ruling faction, spending on infrastructure has been virtually frozen. This means the continued swift deterioration of such essential services as electricity, water, transport and communications, acting as a major disincentive to economic growth.

Moreover, taxes such as the nine percent import levy and the excessive taxes on petroleum products discourage both foreign and local investors from undertaking new projects, in addition to causing them to scale down existing operations.

#### A critical turn is reached

The root of today's foreign exchange crisis is the semicolonial and semifeudal character of the Philippine economy. A critical turn was reached at the start of the 80s with the colossal

debt burden incurred by the Marcos fascist dictatorship.

In a semicolonial and semifeudal economy, exports always grow much more slowly than imports. A mainly agricultural economy with no industrial base is limited to exchanging cheap raw materials or low value-added "manufactured exports" for costly capital and intermediate goods from the advanced capitalist countries.

Thus, the country perennially has need of external financing—either loans from foreign governments and international finance institutions or direct foreign investments—to fill in that gap between what it spends and what it earns. When such financing is adequate enough to enable the country to keep on buying imported goods, there is a period of relatively high growth.

But there comes a point when such external financing is no longer enough. For one thing, the ever-rising level of imports matches the rising level of foreign investments. For another, loans have to be paid back and foreign investors repatriate profits to their home countries. Unfavorable conditions in the advanced capitalist countries from which the financing comes also arise.

When external financing falls short, a balance-of-payments crisis occurs. The economy slows down or even contracts. Such has been the inevitable pattern in the semicolonial and semifeudal Philippine economy.

The substantial inflows of official aid, commercial loans and private investments during the first decade of the Marcos fascist dictatorship resulted in growth rates ranging from seven to 10 percent in the 70s. This was due both to the favorable world economic environment—the availability of cheap international credit—as well as US imperialism's policy of full support for dictatorial rule to reverse the growing nationalist and revolutionary tide in the country.

However, this huge accumulation of foreign debt during the Marcos era

*The root of today's crisis is the semifeudal and semicolonial nature of the economy. But it was the colossal debt burden incurred by the Marcos fascist dictatorship that caused a critical turn at the start of the 80s.*

greatly aggravated the recurring balance-of-payments problem.

Starting 1981, growth rates started to fall, and with it, the average income of Filipinos. The huge outflow of resources had begun—to the very foreign creditors who had provided the wherewithal for the growth in the 70s.

In 1983, following the assassination of Benigno Aquino, the bleeding economy was dealt a mortal blow which sent it down flat. Capital flight occurred. The BOP deficit reached a staggering \$2 billion. 1984 and 1985 saw a severe recession; the GNP plunged down to a negative four percent and seven percent respectively. The large resource transfers from the country have not abated since then.

(When a country pays more in debt service than it receives in new loans, the resource transfer is outward. When new financing exceeds the service on debt, the resource transfer is inward. When external financing and debt service payments equal each other, the resource transfer is zero.)

#### Economy revived by artificial means

The Aquino regime did not do anything to decisively reduce the colossal debt burden which was the immediate cause of the foreign exchange crisis. It embraced a slavish policy of full and unabated repayment of the country's foreign debt, the interest payments on

which were consuming 40 percent of the national budget and five percent of GNP.

To bring the economy back up, it resorted to pump-priming devices, increasing government spending for infrastructure and wages. The growth rate climbed to five percent in 1987 (per capita income also stopped falling this year), then 6.5 percent in 1988.

This caused the Aquino regime and some sanguine quarters in the private sector to jump with unfettered joy and proclaim an economic miracle, but sober economists such as de Dios and Dr. Gonzalo Jurado knew better and predicted that the rejoicing was based on shallow ground ("The Philippine Economy, A Conspectus of Recent Developments," 1989). Even if the regime had managed to maintain this rate of growth (6.5 percent), they said, per capita income would merely regain the 1981 level in 1991. That still meant a decade of stagnation and suffering for the Filipino people.

As they predicted, the rejoicing was short-lived. In 1989, the celebrated growth rate was flagging (5.7 percent) and in 1990, it dropped precipitously to three percent.

In 1989 amortization and interest payments on the foreign debt amounted to \$3.6 billion. According to the UNDP, were it not for the inflow of foreign exchange from Filipino workers overseas, net resource transfers would have been negative. The dollars earned by these workers have been the crucial factor in enabling the country to fill the financing gap and

keep up with its debt service payments from 1986-1989.

Foreign investments did register a substantial increase during 1986-89, but these quickly flowed out again—to finance imports. Even the UNDP report admits that their contribution to the alleviation of the foreign exchange crisis was minimal.

#### A new level of crisis

The chronic crisis of the semi-feudal and semicolonial Philippine economy has reached a new and higher level today. Before, the economy could be likened to a person of ill health, succumbing more and more frequently to grave infections against which he has no natural resistance. Now, the patient has fallen into a coma, kept alive merely by a respiratory machine. This moribund state could go on for years, since only the barest requirements for survival need be given.

Economists like Bernie Villegas and those in government claim that the patient is recovering because he is not yet dead. Every slight flicker of his eyelids is conjured into an augury of health. They wait for him to rise from his sickbed. Unfortunately, it will be a long wait.

Periods of high growth rates are not likely to return. There is no more possible source of external financing substantial enough to offset the debt service hemorrhage. The strategy of economic growth based on heavy foreign borrowings is exhausted.

According to de Dios, "Given the present economic structure, the likely

magnitudes of foreign resource flows (both public and private) in the near future are not sufficient to sustain economic growth beyond three or four percent annually, even after the present recession has been weathered."

The UNDP report says practically the same thing: "The Philippine economy, as currently structured, would not have been able to continue growing at 1986-89 rates, even given a favorable world environment. The picture has been greatly clouded by adverse international developments, including higher oil prices, reduced transfers from roughly 500,000 Filipino workers in the Middle East, and recession in the US and other advanced countries."

What all this means for the rapidly growing Filipino population is a "significant decline in per capita income"—lower incomes, less jobs, less social services, less food on the table.

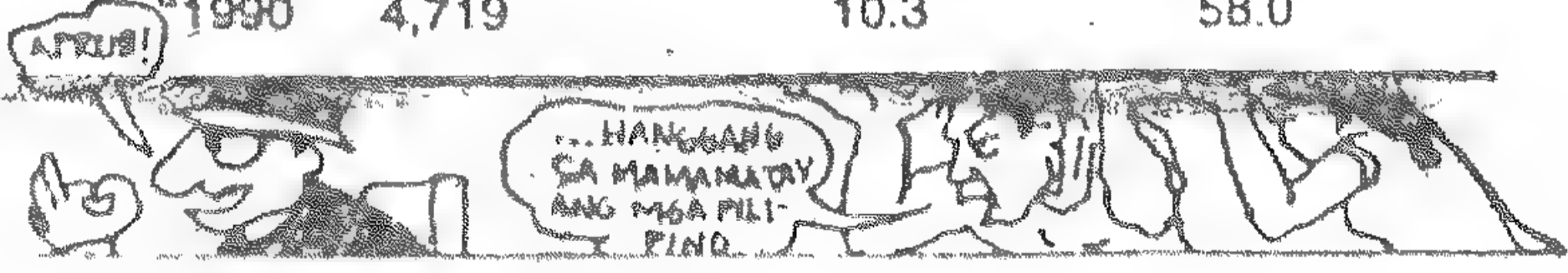
UNDP estimates that the fall in per capita income may be as much as 5 percent (for the first year of the recession only)—and that it will not recover the early 1990 level until the year 2000. This means another decade of deepening poverty and abject misery for the vast majority of Filipinos—at a level much worse than the crisis of the 1980s. How this kind of "stable" low- or no-growth can be interpreted to mean "economic recovery" and "economic prosperity" by the Aquino regime defies the imagination.

#### Key variable is political

Yet this is not the worst scenario on the horizon. The UNDP report itself warns that the economic situation could deteriorate much faster and much further if (1) foreign investment cannot continue at recent rates in the face of a domestic crisis; and (2) capital flight becomes a major issue.

And the key variable that affects both factors, as in 1983, is political. In the end, what continues to hold up the economy is "animal spirit"—the continued confidence of a sufficient number of foreign investors and local

Debt service payment (in \$ million)		% of GNP	% of export revenues
1986	2,937	9.7	60.6
1987	3,005	8.8	52.5
1988	2,983	7.7	42.2
1989	3,670	8.3	47.0
1990	4,719	10.3	58.0



entrepreneurs that bad times can be overcome and there is hope for the future.

That "spirit" was crippled by the failed coup attempt of December 1989 and the erosion of public as well as the ruling elite's confidence in the Aquino government's ability to govern effectively and take control of the crisis situation. Total capital withdrawn from Philippines in 1990 rose by more than 100 percent to \$204 million from only \$95 million in 1989.

The political factor accounts for the apparent improvement in foreign investments in the first two months of 1990. During this period, net foreign investments climbed by 27.5 percent as decline in withdrawals of shares of stocks of nonresidents from the country more than offset the reductions in the flow of new foreign investments.

The elections in 1992 are affecting the economy in two ways. Election spending will give a slight lift to the depressed conditions. More than that, the end of the Aquino term in 1992 raises expectations that a new leadership will come into power after the national elections with a sufficiently strong mandate to wield a new consensus among the ruling elite and enable them to deal effectively with the deepening crisis.

But what if something happens to dash those expectations to pieces? And what if the 1992 elections merely exacerbate the divisions among the ruling classes and fail to usher in a leadership with a credible mandate?

The fragility and vulnerability of the economic situation now is similar to the pre-1983 period. The economic slow down could quite easily turn into a rapid economic collapse (such as what happened in 1983-85) should the government commit a major blunder or social discontent break loose.

#### Need for structural change

The Aquino regime's only solution to the present economic crisis is another IMF "stabilization program" that imposes draconian measures to enable continued repayment of debt. It

does not only place the full weight of the burden on the Filipino people in the form of lower real incomes, mass layoffs, higher prices, further deterioration of social services and higher taxes. It is also extremely shortsighted and detrimental to economic growth in the long run.

The present foreign exchange crisis cannot be solved without immediately staunching the debt service hemorrhage.

The present "debt reduction schemes" of the Aquino regime are based on the willingness of foreign creditors to restructure debt or provide financing to buy back debt and/or pay for interest payments. These have been proven as incapable of achieving any substantial debt relief, whether short-term or long-term. What they do is prolong the agony—and prevent the application of a real solution to the debt crisis.

There is a tremendous clamor from all sectors, with the lone exception of Aquino's debt negotiators, that immediate relief be sought through a debt moratorium, debt cap or selective debt repudiation. Even the UNDP sees the urgency of "immediate cash-flow relief" to "minimize the slump and lay the groundwork for future growth" and advises the government to "quietly go into arrears" on interest payments to private creditors (a less confrontational and more limited version of the debt moratorium and debt cap proposals).

But "an adequate solution to the crisis demands more than simply a solution to the foreign debt crisis," de Dios points out. "Even if the net resource transfers were stopped, the amounts saved would still be insufficient to sustain the economy on a path of growth, given its present structure of trade, industry and employment."

The UNDP shares this view: "If there is no structural reform, the (financing) gap will have to be closed by reducing imports. That is, the economy would be forced into a repeat of the 1984-85 crisis, with foreign exchange shortage forcing a recession that slashes investments and imports."

*By itself, solving the foreign debt problem is inadequate. Without basic structural change, the growth earned would simply peter out in a few years' time.*

However, the UNDP report obfuscates the source of what it calls the distorted economic structure. Like the IMF and World Bank, it puts all the blame on the policy of overprotecting import-substituting local industries. It says this policy is doomed to failure due to the limited domestic market; it doesn't ask why there is a "limited domestic market" in the first place. What it sees as "structural change" is "export-led growth," which can only be stimulated by a policy of free trade unhampered by any kind of government restriction. Thus, UNDP ends up pushing for peso devaluation and full trade liberalization.

The point missed is that this is the very same "cure" that has been tried out so many times before. These are the same premises that have impelled IMF "stabilization programs" since the 1960s, when the country experienced its first serious balance-of-payments crisis. And the patient hasn't been responding at all to the treatment.

It is the semifeudal and semi-colonial nature of the Philippine economy which must be changed. Genuine agrarian reform and nationalist industrialization must be carried out in order to lay the foundation for a self-reliant, self-sustaining and self-propelled economy. Such basic solutions must be put into place at the same time that measures for immediate relief are taken. Or else, the growth earned by getting rid of the enormous debt burden would simply peter out in a few years' time.

# The drug conspiracy



Ramos: campaign fund stained with drug money



Dumlao: became a millionaire while at NARCOM



Montano: NL marijuana production rose during his time



Nazareno: ordered drug leader killed after turn-about

*Drug rings tighten their grip on Philippine society as they go into increasing partnership with top-level police-military and government officials.*

A vicious and violent drug conspiracy has wide sections of Philippine society in its grip today. Drug syndicates have forged close partnerships with high officials of the reactionary government and the fascist AFP and police. As a result, under the Aquino regime, a social problem of monstrous proportions has been spawned.

This conspiracy wields vast economic powers: billion-peso drug profits have been and are being used to acquire a proliferation of businesses, both legitimate and illegitimate. It is also gaining political control of certain localities—towns, big districts in the cities, large parts of the rural areas—as it increasingly provides one of the main sources of electoral campaign financing.

The drug conspiracy is responsible to a great extent for the rising incidence of crime in the major cities. Record numbers of people have become victims of murder, rape, kidnapping or abuse not only from drug addicts but also from drug lords and protectors who want to maintain their profits at all cost.

The collusion of drug rings with the highest levels of the AFP command enables the former to make use of a huge apparatus for terror and intimidation. Apart from their anti-social character, drug gangs are now being harnessed in the service of neo-fascist and right-wing factions of the ruling elite.

The drug conspiracy is therefore a clear target of the people's revolutionary ire.

Lotho, Mommy Rose, Tomas Velasco Chua, George Dee and Eddie San Miguel. They are among the country's stealthy masters of the drug trade, deftly running their "business" with increasing brazenness together with their alien partners like Lin Fung Feng and Ip Chung Ming of the 14-K and Bamboo international drug rings.

Many of them have been nabbed in the past for heinous criminal offenses. But with just a nod and a wink from the judges, they stroll out of jails very easily.

The reactionary government seems alarmed but despite its much-publicized crackdown on the syndicates, why does the problem persist? The bluster and passion of a few sincere crusaders hide the fact that officials of the Aquino government and the AFP-PNP are part of the multi-tentacled drug rings or else, are the syndicate leaders themselves.

The country's judicial system reflects this dismal state. Only one in a hundred drug felons are convicted. Those allegedly "neutralized" were actually liquidated because of gang rivalries.

No less than NBI anti-narcotics chief Reynaldo Jaylo linked high-ranking military men to top-level dope operations. But the Aquino regime, upon pressure from the generals, promptly put a lid on any further investigation.

## Social crisis: root of drug problem

Deteriorating economic and social conditions provide the fertile ground on which drug syndicates flourish.

In an economy where the opportunities for legitimate business and decent means of livelihood are extremely limited, people are driven to illegal money-earning schemes. Since selling drugs is a big source of quick and guaranteed profits, more and more, including the rich and affluent, are attracted to the drug trade. The organized drug rings are able to easily recruit desperate people among the poor for their vast networks.

Entire families and big sections of communities have been drawn to working for syndicates. Pushing drugs has become a family enterprise like selling tupperware, RTW (ready-to-wear) or cosmetics in the neighborhood.

At farmgate prices, a kilo of marijuana costs P200 a kilo but is sold in Metro Manila for about P2,000. Abroad, it sells ten times as much.

Shabu, on the other hand, is imported from Hongkong at P50,000 a kilo but sells for one million pesos in the Philippines. When retailed and sold on the street, one gram costs P1,000-P1,500.

#### Huge profits

No wonder the sale of illegal drugs is the fastest-growing and probably the most lucrative business in the country. In 1989, it earned 4.5 billion pesos for ganglord Don Pepe Oyson and 30 of his henchmen. At about the same time, Sgt. Eddie San Miguel, who used to earn a measly income as a cop before he turned drug leader, invested more than a billion drug pesos in various business establishments in Las Pinas and Cavite before his arrest last year.

Demand for these drugs has increased more than 2,000 percent from last year, and the market of users—which come from all sections of society—has grown insatiable.

All this is the product of a semicolonial and semifeudal society in intense crisis and rapid decay. Drugs provide users temporary relief from mounting economic problems and social tensions.

With a bankrupt ruling system, moral values and respect for law and order have been swiftly eroded. More and more people are lured into anti-social activities. So long as Philippine society remains this way, there will always be a ready market for drugs. The trade's offer of quick profits and release from life's harrowing realities becomes irresistible to many sections of the populace who have lost hope in any kind of change.

#### Growing drug capital

Drug profits have now grown to billions of pesos. Annual illegal drug sales in 1989 alone reached about P50 billion and last year, it was more. (Note: NARCOM data merely show amount of drugs seized in anti-drug raids.)

Drug profits are invariably spent on the following: support funds for politicians (lobby money); investments in legitimate business; maintenance of private armies; procurement of sophisticated weaponry and other logistics; communications and transport; junkets abroad; and all forms of

bribery. The last is for government, AFP-PNP personnel and professionals on the take, including media reporters, lawyers and doctors. The rest of the funds are stashed away in banks both here and abroad.

Drug money is laundered by converting this into some kind of asset such as property, foreign currency and cash, or combining it with "clean" money through investments, donations and the like.

Drug lords get dollars through foreign exchange stores or through the help of Filipino residents overseas and other bank and government contacts. An example of this operation is the wire transmission services provided by the black marketeers based in Binondo, Manila, who are collectively known as the Binondo Central Bank. Many of these black marketeers are also in the drug trade; thus, drug profits are guaranteed flight to major banks in Hongkong or Taiwan where two of the country's biggest drug rings are based.

Other drug profits are deposited in local banks, earning big interest. AB sources inside the Central Bank confirm that indeed, drug money has contaminated the country's financial and banking system. But officials are turning a blind eye and refuse to acknowledge the existence of the laundering scheme.

Drug profits are also invested in "legitimate" business like real estate, food, taxi operation, construction and hardware, merchandising, tailoring and dress shops and beauty parlors. Examples are the placement agency set up by a congressman from northern Mindanao and a real estate firm owned by another colleague from the north.

Some are doled out to charitable institutions or community projects. During the last earthquake, "shabu queens" Magdalena Panlileo ("Magda" of Makati) and Maxima Cristobal (Ka Mameng of Las Pinas) turned instant charity fund raisers when they reportedly donated big sums of money to a fund drive for quake victims.

#### Political financing

Other generous drug lords make a different kind of donation: to the campaign chest funds of corrupt politicians.

In the last elections, drug money flowed like wine in the mainstream of local politics. In some localities, drug lords ran as candidates or supported those "on their side." Some P4.5 billion dope money was spent in Metro Manila alone to ensure the victory of their candidates.

Among the politicians who received lobby money of an undetermined amount from drug sources were Congressmen Roque Ablan, Leonardo Perez, former Congressman Nicanor de Guzman, Luis Santos of the Department of Local Government and some prominent officials in Bulacan, Laguna, Makati, Pasay city, Quezon city, Paranaque, Las Pinas, Malabon and Muntinlupa.

Recently, the COMELEC (Commission on Elections) expressed fears that lobby money from foreign sources may flow in the 1992 polls. Much of this, it is believed, will come from Taiwan and Hongkong. In a recent interview, an AFP

source revealed to AB that Fidel Ramos, Marcos' vice chief of staff and Aquino's current defense secretary, has been promised a share in international drug profits by his imperialist master, to help finance his presidential campaign.

#### Apparatus for terror

Another key factor for the persistence and power of drug rings is their use of a huge apparatus for fascist terror and intimidation, made up of hired killers and goons. The maintenance of this "private army" is done with the knowledge, approval and collaboration of the fascist police and AFP. There is no AFP and police agency that has not been reached by the tentacles of the drug syndicates.

A prominent drug-lord guardian is former NARCOM and PC-CIS chief Brig. Gen. Pantaleon Dumlao, now PNP superintendent in Central Luzon, who became a millionaire through his partnership with drug syndicates.

His own men, more than 75 percent of the NARCOM, are deeply involved in the drug rings. So are more than 75 percent of the police forces in Las Pinas, Paranaque and Quezon city in Metro Manila. Police chiefs Major Gonzalo Gonzales (Las Pinas), Col. Rogelio Pureza (Paranaque), Gen. San Diego and Capt. Alberto Albay (Northern Police) and Capt. Lavarés (Makati) are among the more notorious protectors of drug lords from PNP officialdom in the metropolis.

Rebel soldiers from the rightwing AFP-RAM are also dealing with drug leaders like Johnny Figueroa for arms and money.

In Mindanao, notorious ring leader Ongkoy Parohinog was a favored godfather to many military officials until his quick turnabout last year. He was then killed by PC operatives in Ozamis city on orders of Gen. Nazareno, now PNP chief.

#### Marijuana production

In Northern Luzon, the fascist AFP is THE syndicate itself which controls drug production, combining fund-raising schemes with counter-insurgency operations. It is in Northern Luzon where the biggest concentration of marijuana plantations can be found.

In 1981-83, marijuana farms and drug abuse worsened along with the establishment of Marcos' fascist monster, the CHDF (Civilian Home Defense Forces), forerunner of Aquino's CAGU, in the boundary of Ilocos Sur-Mt. Province-Benguet.

Profiting immensely from the marijuana business were Brig. Gen. Tomas Dumpit and his righthand man Capt. Berredo who was involved in many cases of salvagings and massacres in Mt. Province and Abra. Media feasted on their yearly raids of marijuana farms. In reality, most marijuana harvests were hauled off to camps and sold to buyers.

In 1986, under a new PC chief, Gen. Ramon Montano, marijuana production became more rampant. This time, the

PC had a new partner in the CPLA (Cordillera People's Liberation Army). CPLA involvement in the drug trade came to light when a member was caught redhanded by operatives of the PC-CRECOM (Cordillera Regional Command) at Tuba, Benguet in November 1989 with P1.5 million worth of marijuana.

In 1990, NOLCOM chief Brig. Gen. Gumersindo Yap took control of the marijuana trade along with Col. Rolando de Guzman and Sgt. Francisco Calanog. The same year, Col. de Guzman was killed in a shoot-out with government operatives while in possession of millions of pesos worth of prohibited drugs.

To this day, marijuana planting and trading continue to be a lucrative business for some fascist and rightwing officials and the CPLA. The boundary of Ilocos Sur-Kalinga-Apayao-Iligan-Benguet has been transformed into a local version of the Golden Triangle, while Poró Point in La Union acts as a dropping point for Hongkong and Clark Air Base.

NPA intelligence uncovered the identity of the foreign conduit as a US serviceman named Capt. Lee Burton, based at Camp Wallace, Baguio city.

#### Arsenal of sophisticated arms

In recent raids of palatial houses of drug lords, anti-narcotics operatives discovered not only drugs but caches of sophisticated weapons of assorted make, military and police uniforms, stocks of ammunition, paraphernalia, and radio/communications equipment. Also seized were brand new cars and equipment used in tampering with car serial numbers, several radio communication gadgets, a cellular telephone and personal computers.

From newspaper clippings (October 1990 to April 1991), AB counted some 424 assorted firearms seized during raids of drug lord dens in Metro Manila.

A police reporter interviewed by AB claims that there are more firearms in the hands of drug lords than are reported publicly. For one, many confiscated items go unreported. Last year's raid on San Miguel's hideout for instance, yielded more than P30 million worth of shabu and an undetermined number of firearms and cash. After the "official" inventory at the NBI, only P13 million worth of the shabu was accounted for and the rest of the items were missing.

#### Counter-insurgency force

In many parts of the country, the fascist AFP merges with deathly drug gangs to form a larger counter-insurgency force. In some cases, drug gangs and anti-communist vigilante groups are one and the same group being mobilized by the fascist AFP in launching murderous assaults on the people and the revolutionary movement.

Many members of rightwing vigilante groups in Davao city, Davao Norte, Cagayan de Oro city and Butuan city are drug addicts, pushers and ex-convicts who engage in open terroristic acts like banditry and extortion.

In Tondo, a rightwing anti-communist group was organized among drug addicts, pushers and former rebels. Some politicians have armed them and provide them protection.

With the drug conspiracy lording it over in many areas, a culture of senseless violence and terror persists. Many young people are being exterminated, maimed or threatened with death by drug syndicates whenever payoffs run short or drug lords are threatened. It was revealed recently that 75 percent of all crimes in Metro Manila are drug-related.

Moral decay and a sense of helplessness pervade society as the Aquino regime continues to coddle drug lords and their fascist protectors and partners in the AFP-PNP. Because the bloodstream of the reactionary state is already stained with drug money, it definitely cannot protect the people from the drug syndicates and bring drug criminals to justice for their heinous crimes.

People are turning to extralegal means and radical courses of action like anti-drug vigilantism. In Makati and Quezon city, anti-drug vigilantes have emerged and are now on the warpath against notorious drug thugs.

#### Revolutionary policies

It is the policy of the Party and the entire revolutionary movement to break up the drug syndicates and destructive forces and networks, as well as those of other organized crime rings which have brought immense suffering on the people.

In dealing with them, the Party is guided by the following principles:

- Drug lords, drug pushers, hired goons and other die-hard members of the drug-rings who remain unrepentant and continue with their deadly anti-social activity of drug trafficking and other crimes against the people are punished according to the gravity of their crimes;
- A policy of persuasion is in place to win over the broad mass of members who were lured into the drug trade because of poverty and extreme economic needs;
- The apparatus of terror and intimidation must be dismantled, and drug profits and assets must be confiscated and returned for the people's benefit;
- Prohibited drugs manufactured and distributed by these syndicates must be seized and destroyed.

At the same time, mass education campaigns must be waged relentlessly among the people to fight the evils of drug abuse and the drug conspiracy as well as to eradicate the culture of corruption and violence that this continues to breed in the hearts and minds of the people.

In guerilla bases in Northern Luzon, the NDF-NL, CPDF (Cordillera People's Democratic Front) and the NPA are launching campaigns to educate the masses against marijuana production. Corollary to this is the campaign to increase food production and improve the livelihood of the

## UNITE AND FIGHT THE DRUG MENACE!

The Filipino people are enraged over the rampant and vicious drug menace that is gripping the country today. Anarchy is fast encroaching upon communities with the alarming rise of criminality which to a large extent is due to drug abuse and drug syndicate activity.

No less than the next generation is threatened by the moral decadence and corruption wrought by this social cancer. Our society's future, the youth who are the most vulnerable to drugs, are not only reared in a culture of violence but are daily exposed to the very real danger of irreversible mental impairment.

Under the Aquino regime, revolutionary justice is the people's only recourse in combating the drug curse. Since the regime's own military, police and public officials are part of the dangerous drug apparatus, their conspiracy ensures that the syndicates are above the law.

The Alex Boncayao Brigade (ABB) reaffirms the entire revolutionary movement's policy of meting out revolutionary punishment to drug lords, drug pushers, hired goons and incorrigible syndicate members, as well as their benefactors and protectors in government, the fascist AFP and police.

This year, the ABB began the campaign against notorious drug rings with the just punishment of Col. Nestor Cruz and barangay captain Anastacio Benito (Pasig, Metro Manila) whose major crimes against the people include drug trafficking and murder.

May this serve as a warning to the entire illegal drug network to desist from their anti-social activities or else incur the people's revolutionary wrath.

We persuade the grassroots membership of these syndicates who were lured to the drug trade because of extreme economic needs, to reform their ways and instead help provide information for the dismantling of this despicable drug apparatus.

The ABB resolves to contribute to the curbing if not the outright eradication of drug trafficking and abuse.

We call upon the people, especially the growing number of anti-drug militant citizens, to link up arms and wage a combined struggle against this social menace.

AURORA PAMINTUAN  
SPOKESPERSON  
ALEX BONCAYAO BRIGADE

people—by exposing and fighting the main causes of economic hardships in the areas.

In many other guerilla bases where revolutionary organs of power have been set up, anti-social and criminal elements have been driven away and those with serious offenses meted out revolutionary justice. Revolutionary programs to improve the people's life in all spheres are being carried out.

In Metro Manila, the revolutionary movement has affirmed its support for militant citizens who are waging a war against this menace. (See ABB statement on this page.)

The people, who now seem powerless against the drug conspiracy, have on their side the real people's army in their just struggle against all forms of oppression and exploitation, including the drug scourge in the country.

## Profile of a drug haven

*Las Pinas has become the favorite base and transit point of many drug rings*

In 1902, Pulanglupa (or Red Soil) was a wide fertile land of lush farms and saltbeds in Las Pinas, then a part of Cavite in the southern boundary of Manila. It was one of the last historic battlegrounds during the Philippine-American war where Filipino guerilla forces fought off invading American soldiers.

Today, a different war seems likely to erupt in the same place. Anti-drug crusaders have pinpointed barangay Pulanglupa and the whole thriving town of Las Pinas as the "focal point" of drug trafficking in Metro Manila where laboratories churn out large volumes of "shabu" everyday.

The drug rings are led by the town's ruthless billionaires who hold the *munisipyo* and the police force by the nose. Most dealers are from the government and the police and sell their wares unmolested to clients from the slums and high-class subdivisions nearby.

**Modus operandi.** According to AB sources in this southern district, there exist about 30 medium-sized drug syndicates in Las Pinas alone. A medium-sized drug ring is said to be linked up to the upper rung of the drug syndicate through a network of dealers and pushers spread across their given area of operation.

A drug ring is usually the traditional Filipino clan, with the most senior, the eldest or the most moneyed among the clan members functioning as the gang leader, financier or manager. The billionaire syndicate leader, Eddie San Miguel, is the recognized godfather.

At least a thousand kilos of shabu are brought from the airport,

Binondo and other out-of-town warehouses to clandestine dropping posts—small business establishments along the whole stretch of the highway in barangay Pulanglupa.

Aside from San Miguel, the town's other known drug merchants are Cruto, Ruben Telmo, George Dee (said to be a former barangay captain) and shabu queen Maxima Cristobal, alias Ka Mameng. Other suspected drug dealers include a town judge, three lawyers, several businessmen, a former municipal health officer who is a practicing doctor, and a wealthy politician. All have pending court cases but, except for San Miguel, have remained scot-free.

**Shocking violence.** With the syndicates lording it over the town, shocking violence is commonplace.

Last year, drug-related crimes increased at an alarming rate. Many of these killings do not make it to the police blotter, especially when the perpetrators of the crime are connected with politicians or the police. When families of victims complain, they decide to disappear from the scene lest they become the next victims of drug violence.

At barangay Pamplona late last year, a young son of a former government employee and barangay tanod was walking home when stabbed in the back by some drug-dazed youth.

Last December, a young naval architect and educator was liquidated by gunmen on a drug syndicate payroll because he was mistaken for a drug informant.

A young woman was gang-raped by ring members inside a middle class subdivision while five residents of a house, including two children, were

massacred by drugged robbers who broke in on an early evening of last year.

Two NBI anti-narcotics agents who were assigned to investigate the drug syndicates also disappeared and are likely to have been salvaged.

**Favorite operations base.** There are three factors why this once-sleepy town is now the favorite transit and operations base for many drug lords.

First, at the start of the 1980s, the real estate boom attracted the "new rich," including the wealthy drug traders, to set up residence and headquarters in the area.

Second, the town is dominated by greedy police officials and politicians. Many have become among the town's wealthiest businessmen after they came to power. Former mayor Felimon Aguilar was able to build a business empire during his term, using, among other things, his contacts with Chinese drug merchants. (He gained notoriety lately for having the most number of absences in Congress sessions).

Lastly, Las Pinas is very accessible to main transportation lines—the airport, the coastal ports, bus terminals and even the railway stations—a very vital link of drug lords to their drug sources and clientele.

**Drug conspiracy.** Government estimates that 75 percent of the town's total police force work for the syndicates but long-time citizens of the place believe nobody's above the dirty dealings anymore.

Last month, the police chief, Maj Gonzalo Gonzales, was relieved after having been suspended and reinstated for the nth time because of drug dealings. Police and municipal officials tip off traffickers of impending raids even while search and arrest warrants are being prepared in court.

Outraged citizens in Las Pinas have begun to fight back, but they may never win the war legally. The only solution many increasingly see is revolutionary justice. ●

**A**n economic revolution is underway in the Soviet Union, in which certain basic principles and forms of socialist construction long held sacred by communists are being placed on the block. It is a crucial part of the comprehensive restructuring of all aspects of Soviet life known as perestroika, initiated by the Communist Party of the Soviet Union under Mikhail Gorbachev in 1985.

The essence of this revolution on the economic front is the transition from the command economy built up and perfected by Joseph Stalin to a market economy integrated into the world market system. It involves radical changes in the process of central planning, methods of economic management at the basic level, and the realm of property relations—all of which will greatly reshape the features of the existing Soviet socialist economy.

Within the socialist camp, this development has been greeted by widely divergent reactions—on the one hand, dire warnings that it will lead to the disintegration of socialism in the world's first socialist country and most powerful socialist state, and on the other, endorsement of it as a bold and necessary initiative that will pull socialism out of its present crisis and move it forward.

For many Marxists, the struggle against the market and the law of value is integral to the struggle to build socialism and to expunge capitalism. For them, the market equals capitalism and is alien to socialism. Since socialism must arise out of the womb of capitalism, market forces cannot be dispensed with in the early stages of socialist construction, but as the socialist economy gains in strength, these should increasingly be restricted until eventually abolished. With the extinction of the market should also disappear the private forms of property and the profit motivation that spontaneously regenerate capitalism within the socialist order.

The planless nature of production in capitalism—guided only by the “invisible hand” of the market—constantly leads to economic slumps and crises. It is central planning that

## Market economy: the renewal or ruin of Soviet socialism?

*The command economy is  
being drastically renovated.  
The question is: can it be done  
without bringing down  
the whole house?*

ensures the continued progress of socialism and its superiority over the capitalist system.

On the other hand, there are those who assert that the only way the socialist economy can advance is to change the “command-administrative system” or the “command economy.”

In the 60s and 70s, it became clear that something was seriously wrong in the Soviet economy—national income growth rates had declined by more than half. Those who called for economic reforms said that the “command economy,” or the Stalinist economic model, had spawned inefficiencies, irrationalities and anomalies which were acting as a brake to further economic growth and to raising the living standards of the Soviet people. A stamped-out market had sought revenge on socialism by creating an economy of shortages and stunting the growth of productive forces.

Compared to its grim pre-revolutionary past, Soviet society has indeed made huge strides under socialism. But it cannot be denied that, compared with the leading capitalist countries, it has lagged behind in quantity and quality of goods produced, in scientific and technological development and—what is even more alarming—is threatened by a deep economic stagnation which would render it unable to meet even the basic needs of the people.

The economic reforms under Khrushchev and Kosygin did not make any substantial and lasting changes in the command economy established during Stalin's time. Mikhail Gorbachev intends to change it profoundly. He defines perestroika in the economy as “the all-round intensification of the Soviet economy, the revival and development of the principles of democratic centralism in running the national economy, the universal introduction of economic methods, the renunciation of management by injunction and by administrative methods, and the overall encouragement of innovation and socialist enterprise.”

According to Gorbachev, perestroika reforms are based on the “activation of the human factor—namely, greater

initiative, innovation and effort from below." Economic restructuring cannot succeed without "psychological restructuring," which must take place at the mass level. Glasnost and democratization prepare the way for the economic revolution and ensure a mechanism that would guard not only against excesses in implementation but also against retreats from the commitment to drastic change.

In the first few years of perestroika, the stress was on reforms in economic management. It was not until after the 28th Party Congress last year that Gorbachev moved decisively to effect the transition to a market economy; a specific plan is being implemented this year.

Will Gorbachev be able to accomplish the "economic renovation"

without bringing down the whole house of socialism? This is the question which continues to haunt many Marxists, even those who think that Gorbachev is proceeding in essentially the right direction.

To provide readers with background materials on the economic restructuring in the Soviet Union, AB is reprinting



Perestroika's initiator faces a dilemma

in this issue pertinent portions from documents discussed and approved during the 28th CPSU Congress (pages 30-36). In these documents, the initiators of perestroika explain the compelling reasons behind the restructuring, the progress that has so far been made, the difficulties encountered and the solutions offered.

However, some quarters in the socialist world warn against rushing into a full-blown market economy though they see the value of restoring market mechanisms to a certain extent (see CP-India stand on economic reforms, pages 37-38).

To place all these developments in their proper context, AB includes a brief economic history of

the USSR (pages 28-29).

The aim is to help Party members make earnest studies and well-informed judgments on the issues involved. Hard data on the actual course and consequences of reforms in the USSR as well as in other socialist countries are needed, and AB will strive to provide these in later issues.

## Brief economic history of the USSR

### War Communism (1918-1920)

The economic embargo and counter-revolutionary attempts launched by the imperialist powers against the fledgling Soviet state led to the adoption of policies collectively known as "War Communism." Private manufactures were banned, and nearly all industry was nationalized. The state took over the allocation of all material stocks and production output. All enterprises were placed under the control of the Supreme Council of the National Economy or Vesenkha (VSNKh), whose orders were binding.

*Prodrasvertska*, or the compulsory requisitioning of grain from the peasants, was resorted to. There was even an attempt to partially eliminate the role of money in governmental transactions. The communist principle of "to each according to his needs" was applied.

Peasant riots against *prodrasvertska* erupted, reaching their height in the Kronstadt sailors' revolt. This caused a turn-about in economic policies.

This article is based on Alec Nove's authoritative book, "An Economic History of the USSR," first published in 1972

### New Economic Policy (1921-1926)

The NEP was an experiment in a mixed economy where state-owned industry and trade, mainly private agriculture, legalized private trade and small-scale commodity production coexisted. Compulsory grain requisitioning was replaced by a tax in kind. Small enterprises were allowed to operate freely. Industry was divided into trusts which were wholly autonomous and were in total command of the factories. The VSNKh exercised strict control only over key sectors of the economy.

In the early years of NEP, prices were left for the trusts—and the market forces—to determine. Except for certain essential commodities, the state only set "approximate prices" for wholesale and retail goods. After 1923, however, the state forcefully intervened in price-setting, cutting prices of industrial goods (whose costs were soaring too high) and lowering the procurement price for grain.

Under NEP, the prewar output figures both in industry and agriculture were reached within five years. Living standards improved considerably. Workers' real wages exceeded prewar levels.

Great debates arose in the 1920s, especially after Lenin's death, on what was the right path to take in order to advance socialism. Economic reconstruction had been accomplished—now, the question was how to transform a

mainly agricultural and still backward country into a modern industrial state.

Two opposing approaches contended—geneticism and teleologism. Geneticists emphasized the prevalence of objective socialist economic laws that exist independent of humankind's will. Therefore, effective planning should bank primarily on predicting the economy's future course based on current trends reflecting the availability (or non-availability) and level of human and material resources.

Teleologists advocated ambitious goals in developing socialism, with planning as the *sine qua non* of socialist construction. They rejected the law of value as capitalist and alien to socialism. Planning itself would be the "economic law of socialism."

### Stalin economic model (1928-1953)

**Great leap forward.** The imperialist encirclement and the defeat of revolutionary insurrections in other European countries underscored the Soviet Union's isolation and precarious situation. The Bolshevik leadership saw the urgency of rapidly building heavy industry and on this basis developing a powerful armed forces.

The need to concentrate resources in the hands of the state was incompatible with the continued growth of private economic activities. Leading Bolsheviks demanded that means of production be socialized and all economic activity be centrally planned instead of being regulated by spontaneous market forces. Thus, Stalin began "the offensive of socialism against the elements of capitalism."

Resources from agriculture were diverted to finance rapid industrialization by imposing unequal exchange (low grain prices in exchange for higher-priced manufactured goods) and heavy taxes on the peasantry, especially the more prosperous ones. The collectivization and "dekulakization" campaigns began in earnest in 1929. That five years later, in 1934, 93 percent of all peasants and 99 percent of all cultivated land were in collective and state farms attests to the forcible and oftentimes brutal methods used.

Grain production dropped to subsistence levels, as there was no incentive for the peasants to produce more. There were food shortages and, as a consequence, rationing of virtually all foodstuffs. Dislocated peasants swelled the urban population.

On the other hand, a powerful heavy industry sprouted and grew. Its output of machine tools, turbines, tractors, metallurgical equipment and others rose remarkably. The Soviet Union was able to build a basic industrial structure—steel mills, electrical generating plants, oil recovery, chemicals, production as well as a weapons industry. The latter contributed vastly in turning the tide against the Nazi invaders in World War II.

Based on official statistics, gross industrial production rose by an average of 20 percent yearly in 1929-1932. (Independent sources, however, estimate average GNP growth then at from five to ten percent annually.)

**Command economy.** After the first five years of "primitive socialist accumulation" had been weathered, the economy and the people's living standards experienced an upswell starting 1934. Agriculture and the conditions of life of the peasantry began to improve as the state moderated its policy of restrictions on private livestock holdings and private plots. These years saw impressive achievements in industrial production, transport and construction.

During this period, the command economy, or the Stalinist model of economic development, established itself. Gosplan, operating directly under Party and government authority, became the key element in the planning system. The functions of VSNKh were taken over by ministries.

Under the command economy, all state enterprises operated according to production and delivery plans devised by central authorities. They were told what to produce, to whom to deliver the product, from whom to obtain inputs and in what quantities, what size the labor force should be and how much they should be paid. They were totally dependent on the state for credit and supplies of raw materials.

The primary gauge of the success of an enterprise was the "gross output figure." This is an aggregate figure which represents the total amount of goods or services which should be produced by the factory for a given period, expressed in terms of tonnage or rubles (the Soviet currency). The manager and workers of an enterprise received bonuses for fulfilling or overfulfilling gross output targets. Failure to do so meant reduction or non-payment of bonuses.

### Economic reforms (1954 to 1980s)

The Soviet economy suffered from declining growth rates. This was traced to distortions brought about by the command-administrative system, which turned "production for the plan" into the overwhelming goal and relegated everything else—end-user satisfaction, product quality and availability, increased labor productivity, innovative technology, economy—to secondary importance.

After Stalin's death in 1953, numerous attempts, first by Khrushchev, then by Kosygin, were made to reform the system. In general, the reforms sought to liberalize planning, give enterprises greater independence, use profit as the main indicator of enterprise performance, strengthen material incentives to labor, bring prices more into line with production costs, and assign a greater role to finance and credit instead of directives.

The Khrushchev and Kosygin reforms were limited and half-hearted. Decentralization was often followed by recentralization. All throughout, there was a basic aversion to making use of market forces to stimulate production and innovation. On the whole, the reforms were not able to raise labor productivity, to prevent wasteful overapplications for labor and capital, and to motivate managers and workers to aim for ambitious plans and improve product quality. However, these reforms were also criticized for having laid the ground for capitalist restoration in the USSR. ●

# CONTINUING ALONG THE ROAD OF PERESTROIKA

*"We have entered the most crucial phase of perestroika. The time has come for the greatest reforms."*

**W**hy has the process of perestroika, which began successfully and which—in historical terms—has already given society so much, failed to cure many of its diseases? In some respects, the situation has even worsened. First and foremost, this applies to the consumer market, but also the economy as a whole, public order and inter-ethnic relations.

It was an extremely grim legacy that we inherited. Take the neglect in the countryside, in farming and in the processing industry. Did this arise recently, after 1985? Yet it affects the food situation today, the condition of peasants and their present life. Or take the sorry state of our forests and rivers, the millions of hectares of fertile land flooded as a result of the former power-generation policy. Are these things that were done in the past few years? The grim ecological situation—over 100 cities in a disaster zone, with over 1,000 industrial establishments brought to a standstill as a result; the drama of Lake Baikal, the Aral Sea, Lake Ladoga and the Sea of Azov, Chernobyl and other accidents and the disasters in railways and gas pipelines. Are not all these the consequences of a policy pursued for decades?

Did not the structure of the economy, in which a mere seventh of our industry is geared towards producing consumer goods, arise back in the 1930s, and has it not survived every since? Or consider today's explosions of inter-ethnic strife. Is this not rooted in the past? I don't say anything of the militarization of the economy, which has swallowed up huge material and intellectual resources and the best of them at that.

I certainly have no desire to mitigate assessments or conclusions concerning the activities of the Central Committee, the Politburo or Communists working in Party, government and economic organs in the republics or locally. There

are many things we could have foreseen and there are processes, above all in the economic and social spheres, in inter-ethnic relations and in the spheres of culture and ideology, whose development we could have prevented.

But...we need to continue to analyze the reasons and correctly evaluate the situation in which the country found itself when the need for revolutionary changes arose before us. Moreover, the changes were urgent because the country was gathering speed in its lapse into a second-rate state. Already by the early 1980s it had become clear that our apparent well-being rested on a savage, wasteful use of natural and human resources. Indeed... we would have very soon been in dire straits with unpredictable consequences.

We are in a transitional period, in which the dismantling of the old system—and still less the building of the new one—has not yet been completed.

One of the serious reasons for the difficulties we are encountering in many fields is the resistance to change put up by the bureaucratic stratum in managerial structures and by the social forces associated with it. I am referring to those who are stubbornly clinging to the past, who are obstructing the changes taking place in society. Moreover, they try to justify their conservative stance under the pretext that they are promoting the people's interests and the purity of ideological principles.

Nor should we close our eyes to the fact that forces have emerged in society which are pushing us toward the bourgeois system and which link coping with the present difficult situation to putting the country on the capitalist footing.

As we reach a stage of decisive transformation, the Party is assuming the strategic initiative of perestroika, and again acting as society's consolidating force, offering far-reaching solutions in the interests of the people.

Excerpts from "Political Report of the CPSU Central Committee to the 28th CPSU Congress and the Party's Tasks," Mikhail Gorbachev, General Secretary of the CPSU Central Committee, July 2, 1990

### The Policy of Perestroika: Experience and Prospects

One of the fundamental principles of the strategy formulated by the 27th Party Congress was the need for a social reorientation of the economy, for it to face the human being.

What has been accomplished in this respect? First of all, the structural policy has been amended. This has had the effect of making growth rates in the current five-year period in industries producing consumer goods much higher than in those turning out means of production. Investments have begun to be rechannelled into the sphere that directly concerns human beings, into industries which work for human beings. This trend is extremely important for our enormous economy, and we must do everything not just to consolidate it but to give it a further impetus.

In the work to carry out the five-year plan, additional steps have already been taken to overcome the principle of using residual funds for the social sphere. In four years 34 billion roubles were allocated in excess of the five-year plan targets for investments in non-productive construction. All in all, over 246 billion roubles were used for this purpose, and the average annual growth rate of non-productive investment nearly doubled: from 4.7 percent in the 11th five-year period to 8.8 percent in the current five-year period.

This is quite a substantial shift. It will make it possible over a five-year period to complete 100 million square meters of housing more than in the previous five years. This is the first time we have attained such a scale of house building. The completion of building of other social and cultural amenities has likewise increased.

Let me single out the problem of providing the population with goods. The situation here is extremely difficult.

If we take the statistics—moreover, if we make comparisons in physical rather than financial indices—we will see a definite favorable trend in many foodstuffs and other consumer goods. For example, the mean annual grain production was 26.6 million tons greater than in the previous five-year period. This is a substantial increment. Similarly, the production of meat increased by 2.5 million tons in slaughter weight as did the production of milk, sugarbeet and sunflower, but the figures here are considerably lower. So did the production of fabrics, knitwear, color TV sets, tape recorders, refrigerators, washing machines and other household appliances. The conversion of the defense industries to civilian production is already beginning to yield its first results. From January to May this year an increase of



Protests in Moscow underscore difficulties of perestroika

22 percent was registered in the production of consumer goods in these industries.

While in the past the average annual trade turnover increase stood at 10-12 billion roubles, in the current five-year period it was 20 billion roubles, and in the last year the increase was 38 billion roubles. Per capita consumption has increased.

Yet, at the same time, the situation on the consumer market, far from becoming less strained has in many cases grown more acute and become intolerable. The socio-economic situation in the country has reached a critical point.

This is mainly because cash incomes have been growing much faster than the production of goods. What are the reasons for this?

In the first place, when enterprises were granted more managerial rights and autonomy, rigid control over the relationship between the growth of labor productivity and earnings was removed. At many enterprises earnings substantially surpassed the growth of production.

Secondly, far from sufficient thought was given to all aspects of the expansion of the cooperative movement. Parallel with the useful things the cooperatives have been doing, there has appeared a channel for converting funds into cash.

Thirdly, the decisions on changing the situation and restoring order in capital construction have not been fulfilled. The practice of dragging out construction continues, which pins down material resources instead of transferring them to the market. Add to this the wages paid to construction workers employed on the unfinished projects.

As a result of all these measures, the cash incomes of the population rose by 64 billion roubles just last year as against the usual increase of 12-15 billion roubles. The same situation is prevailing this year.

The consequences could have been far less painful if the government had approached the economic reform comprehensively, and had managed to stand up to the pressure of various industries and the old managerial structure that sought to keep their positions and maintain the command methods of administration.

This is what dictates the imperative need to accelerate and radicalize the economic reform. We can no longer tolerate the managerial system that rejects scientific and technological progress and new technologies, that is committed to cost ineffectiveness and generates squandering and waste.

As before, the country is expending 100-150 percent more material resources and 50 percent more fuel and energy than the developed countries. A tremendous number of enterprises are in the red, and government subsidies amount to 23 billion roubles.

To say nothing of the enormous losses of grain, cement, metal, oil, mineral fertilizer, lumber and many other resources. There is no way the country can be rich and the people prosper with a system of management such as this.

All this has to be resolutely changed, so as to achieve a considerable improvement in the people's living standards, not in the distant but in the immediate future.

Thus, the very logic of perestroika and the dramatic social and economic situation in the country bring us face to face with the need for fundamental changes in the economic system.

**W**hat we are talking about is establishing a basically new model of economy: a multisectoral model, with diverse forms of ownership and management, and with a modern market infrastructure.

This will clear the path for people's business activity and initiative, and create powerful new incentives for fruitful work and greater economic efficiency.

It is only now that we can tackle the transition to a market economy, for we now have certain experience in working with new forms of management, we have taken major steps as concerns political reform, and have enacted a number of crucial laws, notably on property, land, lease holdings and the like.

What worries people when they discuss the problem of how to achieve the transition to a market economy is whether this might not lower the living standards and lead to social differentiation, and whether social justice and people's security will be assured.

First of all, concerning the market itself. It has gone through a thousand-year-long evolution from spontaneous barter trade to a highly organized mechanism. We have to reject voluntaristic approaches, learn to regulate economic

processes on the basis of the law of value, and thereby create powerful new incentives for business activity.

Market conditions open up the possibility of realistically assessing needs and finding ways to satisfy them effectively, balancing supply and demand, and creating a normal environment for the development of production.

In general, we regard the market not as a goal in itself but as a means of making the economy more effective and improving the standard of living. The market must facilitate a speedy solution to the problem of giving our economy a greater social orientation and gearing it to the people's interests.

The market, in its contemporary interpretation, rejects the monopoly of one form of ownership and requires a diversity of such forms, vested with equal economic and political rights.

State-owned enterprises, the collective ownership of cooperative or joint-stock association, the work-earned property of the farmer, craftsman or family all serve to strengthen the democratic pillars of society, since the working people become the genuine masters of the means of production and the results of their labor, and have a personal stake in efficient performance and high final results. Here there is no basis for exploitation.

By moving towards a market we are not swerving from the road to socialism, but advancing towards a fuller realization of society's potential.

Needless to say, we cannot leave it to the market to implement major long-term scientific and technical projects, advance basic science, culture or national social and ecological programs.

Nor should they be driven by crude administrative pressure: they should be regulated by taxation, interest rates, discounts and sanctions, and customs tariffs. If the economic policy of the state is to be effective, it must master the whole range of instruments of economic management.

The problems of introducing market relations have to be solved with maximum circumspection. What we need are legal acts protecting people's right to work and to a real choice of employment. The state must support those who want to work but are temporarily unable to find a suitable job.

**A**nother important question is the differentiation of society by property. The socialist principle allows for property distinctions if they stem from the nature and amount of work performed, from the talent, initiative and creativity of the individual. But we are firmly opposed to any stratification that is derived from unearned incomes or unlawful privileges.

Prices are a special issue. The revision of retail prices cannot begin without well thought-out mechanisms of social protection. Needless to say, the transition to a market economy cannot start with a price increase, for that would be absurd.

## Socialism Series

Admittedly, among the set of measures involved in this transition, prices are a central point. Therefore, we must do everything to make the people feel certain that at this difficult stage of the transition to new forms of management and economic life, they will be socially protected and their interests ensured.

When going over to a market economy, we must single out the measures that come first. Even today nothing prevents us from beginning to turn state enterprises into joint stock companies, from granting real freedom of enterprise, from leasing small enterprises and shops, and putting housing, stocks, shares and other securities as well as part of the means of production up for purchase and sale.

We must accelerate the formation of commodity and stock-exchanges, and the banking reform, launch an interest rate policy, provide conditions for the emergence of competing enterprises and associations, and small and medium-sized enterprises, especially those that produce consumer goods.

As for structures of management, they must be reshaped to suit the requirements of a market economy. Strategically, we must set out to eliminate industrial ministries and reduce their number in the immediate future. The economic activity of enterprises must be separate as far as possible from administrative control and departmental diktat.

The improvement of the Soviet economy depends to no small extent on how it becomes integrated in the system of the international division of labor. The more freedom is given to enterprises, regions and republics—which we think is the right thing to do—the greater this activity becomes and the more new ideas are generated.

A lot must be done to modernize our economy, to develop new technologies, to heighten the productivity of labor and to produce competitive goods.

But the main thing...is to work for the convertibility of the rouble. We must have powerful export incentives, and barriers against ineffective imports and the growth of foreign debt. There must be mutually beneficial conditions for attracting foreign capital.

At present, the government is drawing up proposals of the entire set of problems related to external economic activity. This applies to expanding ties with capitalist countries, and going over to world prices and settlements in hard currency within the framework of the Council for Mutual Economic Assistance. This also suggests a revision of our cooperation with Third World countries, and the introduction of certain corrective measures.

Joining the world market and transferring the Soviet Union to the world economy calls for radical change in the mentality and approaches of our executives, for much knowledge and vision and the ability to conduct business in a new way.

(Because) if our enterprises continue to misuse everything we import in order to modernize our economy, if

everything we acquire for hard currency with so much difficulty lies around for years, spoils and grows old instead of working for the market, we can hardly expect a turn for the better or any of the advantages that international cooperation can yield in the economic field.

The 27th Congress Report and the Central Committee's Plenary Meeting of March 1989 posed the agrarian problem in a more pointed way than ever before. It was dealt with in the context of the destiny of the countryside and the farmers. These, indeed, are the keys to solving the food problem.

Changes must be made not only in the agrarian sphere as such but also in the approach to the farmer, to the



*Stalin financed his great leap forward in industry through the heavy sacrifices of the peasantry. Gorbachev seeks to give them true market freedom.*

countryside as a whole, and in the mutual relations between the working class and farmers, between town and country.

The countryside really needs far-reaching improvements, both as concerns social well-being and material and technical facilities.

The problem of reviving the countryside must be tackled by economic means—by establishing equivalent exchange between town and country, giving economic and social priorities to the countryside and the agro-industrial complex as a whole, demonopolizing the industries that make agricultural machinery, and producing a system of machines that would meet the needs of the various types of farming.

No other branch probably needs economic freedom and a true market environment as desperately as our countryside, our agrarian sector.

The radical remodelling of production relations in the countryside is a key task, without which there can be no economic freedom. No investments will help unless economic relations change, unless new incentives for agricultural labor are introduced, unless the farmer's situation is altered and he becomes the true master of the land.

On the CPSU's policy concerning economic reform and transition to market relations:

The Congress notes with concern that the country's economic situation is deteriorating and that the people's living standards are declining. The production structure is being remodelled too slowly, output of consumer goods and services is lagging behind the increase in earnings, losses of working hours and of material resources are still considerable, and the economy remains unreceptive to the latest achievements of scientific and technical progress. The break-up of the consumer market is a concentrated manifestation of the crisis phenomena, with not only social but also political consequences undermining the people's faith in perestroika.

The main reasons for the economic crisis: deformation of socialist production relations, alienation of the working man from property and management, the psychology of egalitarianism and dependence, monopolism and the absence of market evaluations of the results of labor, and lately the poor state of economic management from the Center, in the Republics and at the local level. Imbalances that have arisen in the economy, outlays and expenses that society cannot afford, the survival of the cost-intensive management mechanism, foot-dragging and miscalculations in carrying out radical

## *Resolutions of the 28th CPSU Congress on the transition to market relations and on agrarian policy*

reform—all this is limiting the growth in efficiency of the economy.

Two extreme positions have appeared in the search for a way out of the crisis, in attempts to work out the strategy and tactics of social and economic change. Society is insistently being offered a choice between restoring the old model of rigid administrative-distribution management, a model based on universal state control in economic life, and immediate denationalization of all means of production and total renunciation of a state-regulated economy. The Congress considers both these approaches to resolving urgent economic problems equally unacceptable. Both of them contradict the main values of socialism and world practice, lead to the infringement of basic human rights, and are unable to create a highly effective system of management.

The Congress emphasizes the Party's commitment to the socialist option and considers that the radicalization of economic reform and improvement of the state of affairs in the economy hinge on the transition to market relations. A regulated market economy will increase opportunities for exercising the principle, "From

each according to his ability, to each according to the results of his work." It will strengthen the motivation for highly productive and creative labor, make it possible to create an effective mechanism of mutually beneficial relationships be-

tween producer and consumer, put an end to chronic shortages and queues, and undermine the basis of profiteering and other attributes of the shadow economy.

In order to further this task, the CPSU will follow a policy aimed at ensuring effective employment and at preventing a decline in living standards for the majority of the people. The Party believes that a system of social compensation measures must be devised and introduced in good time, particularly for the lowest-income sections of the population.

The Congress stresses that in the new conditions, public consumer funds must be kept at a socially guaranteed minimum in the case of pensions, housing, health care, education, culture and science, and facilitate more efficient production and the development of society's intellectual potential.

The Congress favors the creation of an effective economic structure that would ensure legislative equality and competitiveness in all forms of property and enterprise, ruling out exploitation of man by man. Mutual ties between independent enterprises, the main subjects in the market, must become the basis of economic relations.

## Gorbachev...

A few words here about the collective and state farms. People go as far as saying that the new agrarian policy puts their very existence in doubt. But its actual purpose is to give equal opportunities to all forms of farming. Let each of them prove its viability and effectiveness. That is our position of principle. And we certainly reject the demand for "overall de-collectivization."

The collective and state farms which go about their business skillfully, which are advancing on the social plane

and providing farmers with decent living conditions, turning out much produce needed by society, deserve every support. They will naturally remain an organic part of the renovated Soviet countryside. However, those that have not put their hearts into their work for decades, that operate at a loss and live off subsidies, and whose management is nevertheless obstructing the reform of property relations and the introduction of new forms of farming—those must undergo cardinal transformations

### On the condition of the peasantry and implementation of the Party's agrarian policy:

1. The Congress declares that the revolutionary reconstruction of society and solution of the food problem are impossible without a radical improvement of the condition of the peasantry, a change in the destiny of the countryside, and perseverance in consistent implementation of the agrarian policy worked out at the March 1989 Plenary Meeting of the CPSU Central Committee.

Agriculture accounts for more than a quarter of the national income; more than two-thirds of consumer goods are manufactured from farm produce, as is nearly the entire volume of foodstuffs.

The social and economic condition of the countryside, however, has not changed for the better in recent years. A disproportionate amount of resources is being extracted, while public consumption funds are growing too slowly. There is a shortage of housing, schools, hospitals, cultural facilities and community utilities. Meager supplies, lack of amenities and the absence of good roads are making people's lives worse.

The material and technical provision for agriculture has deteriorated. Half the basic assets of collective and state farms, and of processing enterprises are physically obsolete and require renewal.

In many regions, the countryside is in such a sorry state that it cannot be equal to the tasks set by society on its own without strong support from the state.

The monopolization and direct economic diktat of enterprises producing capital goods have increased. Non-equivalent exchange of agricultural and industrial production is more pronounced. Needless reorganizations continue within the agro-industrial complex.

Efforts to set priorities for the countryside are not backed up by organizational work on the part of either the CPSU Central Committee or the

government, and are not being implemented in practice.

2. The Congress believes that the practical solution of the food problem is directly dependent on the social and economic position of the peasantry in society.

The CPSU places the defense of the interests of the peasants at the center of its political work, and is helping them to assert themselves as the true masters of the land and of the results of their labor. It is essential to promote diverse forms of ownership; to assert the peasants' right to land ownership and selection of the mode of production on a voluntary basis; to further the complete independence and equal economic conditions of collective farms, state farms, small-holdings, subsidiary plots and leaseholdings, and to promote opportunities for every working person to become a co-owner of collective property taking account of his personal labor contribution.

3. The Congress is strongly in favor of a considerable increase in capital investments by the state, and of raising targets in building, assembly and material resources during the thirteenth five-year-plan period beginning in 1991, thus ensuring the comprehensive advancement of the countryside and the production of foodstuffs in quantities which meet the needs of the country's population. Special attention should be paid to the construction of houses, hospitals, schools, roads, water- and gas-supply facilities, farm produce processing plants and storage

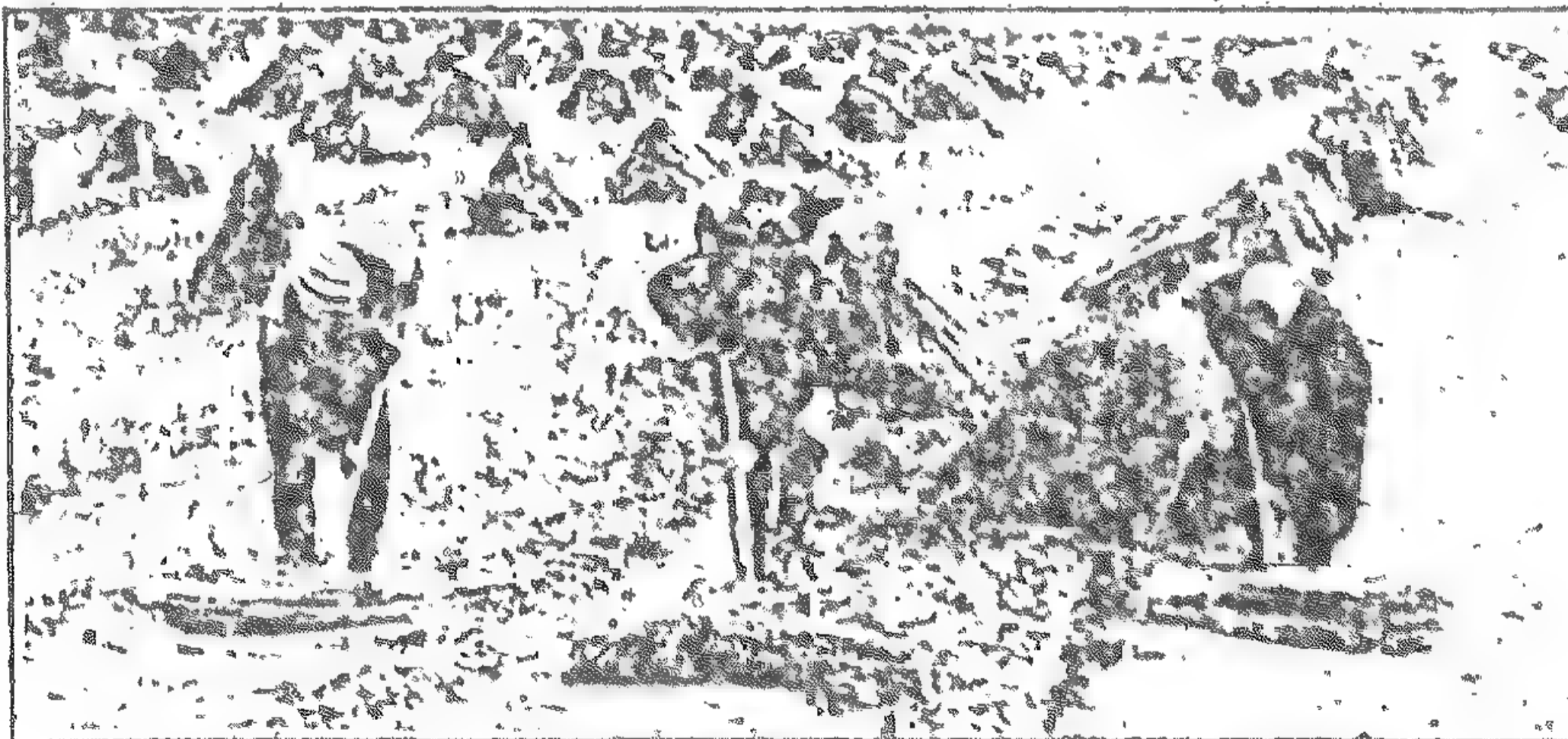
facilities, and to effective land improvement.

The Congress stresses the need for concerted efforts in urban and rural areas to resolve the food problem and create specialized zones for food production in the environs of large cities and industrial centers.

The founding of enterprises processing farm produce, and manufacturing consumer goods, arts and crafts and building material, shall be actively promoted in the countryside, and the output of up-to-date equipment for them should be increased.

The Congress is opposed to any and all diktat in relation to the peasantry, as well as infringement on its interests; it is in favor of the social equilibrium of town and country and creating a rural infrastructure at the expense of the state.

4. The Congress backs the principle of phased transition to a market economy for foodstuffs and agricultural raw materials, and guaranteed provision of resources enabling the fulfillment of state orders. It calls for the strict observance of equivalent economic relations between town and country, between industry and agriculture, writing off the unrepaid loans taken by farms and other enterprises of the agro-industrial complex, working out for them a system of financial benefits, allowances and subsidies, eliminating the monopolism of their suppliers, and creating a market for capital goods.



## CPSU's Program of Action: For an Effective Economy

The creation of a stable base for social progress calls for the democratization of economic relations, for the emancipation of people's initiative and enterprise and for setting in motion the incentives of highly productive labor. Therein lies the essence of the CPSU program for restructuring the existing economic system.

To become a true master, to revive a love for work. The Party deems it necessary to create conditions for formulating and developing multifarious and equitable forms of proprietorship, for their integration and free competition:

- state property (all-Union, republican and communal) must be transformed from the property of state bureaucracy into public property, administered by the working people themselves on the basis of existing legislation; working people's collectives must be given the right to lease state enterprises and property, to buy industrial establishments and facilities in the sphere of trade and services; they must also be given the right to use the joint-stock method of organizing enterprises.

- it is necessary to develop various forms of cooperative property, property of public organizations, and also mixed forms of property;

- the private property of working people, which can be used for improving the life of the nation, must also have its place in the system of different forms of ownership.

The Party is against total denationalization or the enforcement of one form of property or another.

Towards a regulated market system. A market economy is an alternative to the obsolete command system of administration of the national economy. To carry out a stage-by-

stage transition to a market system, the CPSU considers it important:

- to give independence and freedom of enterprise to establishments and to all commodity producers, regardless of the form of ownership; also to facilitate the development of healthy and fair competition between them; to separate the functions of state management from immediate economic activity;

- to demonopolize production, banking, insurance, trade and scientific research; to support the development of a network of small and medium-sized enterprises;

- to direct the state policy of regulating market relations towards the protection of the social rights of citizens, towards effecting large-scale structural changes in the national economy and in scientific, technical and ecological programs, and towards ensuring the interests of the nation in the system of global economic relations. To retain state management of the main transport facilities, communications, power engineering and defense facilities within the framework of one integral market system, using the principles of cost-to-profit management and self-government of work collectives;

- to proceed within the planning system to the development of strategic long-term plans for economic advance, to the development of state-run target-oriented programs, and also to the indirect regulation of the economy by way of state orders, prices and depreciation mechanisms, customs policy, taxes, interest on credits.

- to ensure the transition to a convertible rouble, to open our economy up to the world market, and to create favorable conditions for the external economic activity of enterprises, for drawing on foreign capital to enable progressive technologies to be introduced swiftly and for the saturation of the markets with consumer goods.

The market system and protective mechanisms. Bearing in mind

that the transition to a market economy is not an end in itself but a means of resolving social problems, and also bearing in mind the possible negative consequences of this transition, the CPSU proposes:

- compensation for the losses incurred by the public as a result of the revision of retail prices on goods and services; introduction of a flexible indexation system for cash incomes of the population depending on the rise in consumer prices;

- creation of an effective mechanism for sustaining employment, for job placement and professional retraining; introduction of a system of benefits for periods of temporary unemployment, retraining and requalification;

Agrarian policy. In its agrarian policy the Party proceeds from the following principles:

- that the right of Soviets of People's Deputies to administer land, and also the right of state, collective and individual farms to own and use land be upheld;

- that equivalence in economic relations between urban and rural areas be ensured;

- that any attempt at diktat and administration by command in any work on the land be ruled out; that peasants' free choice be relied on; that equal opportunities for the development of both collective and state farm and the newly-arising individual, family and leasehold methods of farming be ensured;

- that the priority development of the material and technical base of the agro-industrial complex, with the needs of all forms of farming taken into account, be ensured;

- that every rural resident, or anybody who would like to live and work on a farm be given the opportunity to own a house and farmyard, that social amenities in rural areas be improved, and that farm work be made socially attractive and economically effective.

# On economic reforms

Central Committee, Communist Party of India

## Necessity of reforms<sup>1</sup>

As stated earlier, the rationale for economic restructuring was correctly analyzed in the 27th Congress. The political report had stated: "Indeed the socialist productive relations open up broad vistas for the development of productive forces. However, they must be constantly improved and this means outdated economic management must be noted in good time and replaced by new ones. The forms of production relations and economic management and guidance system now in operation took shape basically in the conditions of extensive economic development. These gradually grew out of date and began to lose stimulating effect and in some respects became a brake."

To overcome the economic crisis as a result of stagnation, urgent reforms were necessary. The debate in the Soviet Union on this issue has revealed diverse trends -- which path to take? Questions of centrally planned economy and market relations and forms of property have assumed vital importance. In a socialist economy, during the entire phase of socialism, commodity-money relations cannot be dispensed with during this stage. Commodity production existed in pre-capitalist formations, capitalism itself is commodity production and it will continue in post-capitalist formations for a long time.

## Plan and market

However, the essence of a socialist economy is central planning. Relations based on planning and balanced development are a specific feature of socialism and its greatest inherent advantage over capitalism. Such a planned growth is possible on the objective basis of socialist means of production; planning provides coordinated management of the national economy as a single whole to meet social needs and to maintain by deliberate intervention the proportions required between various types of production. Socialist planning pursues the aim of increasing the socialized productive forces so as to ensure increasing goods and welfare services to the citizens. Within this framework, the central plan and market relations should not be seen as opposing principles of regulation. The plan should utilize the market relations and regulate it for the immediate economic goals corresponding to the stage of development.

At the present juncture, it is necessary to heighten the efficiency of the centralized planning of the economy. It is



*Lenin: Both those who advocate perestroika and those who oppose it cite him as their source of inspiration*

also necessary to ensure a degree of decentralization to lower units and enterprises to stimulate production and innovation.

The principle of "to each according to his work" will prevail in the entire period of socialism. This means material incentives have a definite role to play in the building of socialism. This principle cannot be skipped or dispensed with under socialism. While material incentives are necessary, continuous efforts to develop the collective consciousness so that personal interests are subordinated to social needs have to be undertaken. Without this socialist consciousness cannot be fostered. An important element of reforms is the vitalization of democracy and democratic management mechanisms have to function effectively to enhance labor productivity and to heighten the socialist consciousness of the working class.

In the context of the above stated necessity for economic reforms, there are justified grounds to be alarmed about the direction of reforms undertaken in the Soviet Union. The Draft Platform under the section entitled "For Effective Plan Market Economy" recognizes that "one of the most difficult aspects of economic reforms is finding an organic combina-

<sup>1</sup> This article is taken from the document "On Certain Political Ideological Issues Related to Developments in Some Socialist Countries," approved by the CP India Central Committee during its meeting of May 28-31, 1990.

tion of plan and market methods to regulate economic activity."

But, subsequently however, the Draft Platform proceeds to state that "the creation of a full-fledged market economy requires the formation of markets of consumer goods, capital goods, securities investment, currencies and research and development, and an early reform of the financial, monetary and credit system." The Platform envisages the market, instead of planning, regulating the economy. It states: "The restructuring of the price formation is a sine qua non condition for the market to start regulating the economy."

In the name of a full-fledged market economy, the main emphasis on market economy and talk of its regulating the economy, the vital role of central planning is undermined. Market relations and commodity-money relations unless integrated into a single economic mechanism under planning will lead to increasing income differentiation and erosion of social priorities under socialism. It will lead to unbalanced development with the profit motive becoming dominant.

#### **Primacy of social ownership**

The basis for socialist economy and the socialist system is the social ownership of the means of production and socialized production. Under socialism at present, three forms of property exist: state-owned, cooperative or collective, and individual. The sphere of the last named at present is only minor. State, collective and cooperative enterprises make up more than 95 per cent of the total production. The new measures began with the development of cooperatives in those spheres, previously with the state, such as services and distribution. Now cooperatives for production, group ownership and individual ownership of means of production in industry and agriculture are envisaged. The Draft Platform talks of "deep restructuring of relations of property" and advocates diversity of forms of property. Then it proceeds to make the surprising and untenable claim that "equal and sound competition" between different forms of property is the economic basis of civil freedom." That is, the Platform declares, that in the Soviet Union private property competing on equal terms with socially owned property is necessary to guarantee democracy and civil freedoms. This approach is totally un-Marxist and accepts the bourgeois thesis that only private property and market provides free choice and hence the basis for freedom.

Socialist property relations have different levels of socialization. Periodic adjustment and regulation of the different forms are necessary and economic reform should legitimately cover this aspect. But increasing socialization of production and going to a higher stage of socialism require the primacy of the state-owned forms of ownership and the collectives.

The Soviet government has placed before the Supreme Soviet in May 1990, a program for the transition to a "regulated market economy" which will see a qualitatively new expansion of market forces. To be put into operation in

stages by 1991, the linking of prices to market forces is bound to lead to growing inflation. The program also advocates the creation of a labor market which will lead to a serious problem of unemployment. Not emphasizing the primacy of public ownership and expanding market relations in an unregulated fashion in all spheres of the economy will pose serious problems in solving the current crisis of the economy in a socialist manner.

#### **Danger of undermining socialist system**

The whole gamut of economic reforms in the Soviet Union, plan and market-restructuring, forms of property, price reforms, unrestrained opening to the world capitalist market and integrating with its mechanisms are all questions where there are genuine fears that these may lead to adverse consequences for the socialist system. The lessons of history of economic reforms in Eastern Europe, particularly Poland and Hungary, must be drawn. In both these countries faced with the deadlock created by the mechanical adoption of the Soviet model, timely corrections were not made. Instead, the economies of these countries were opened to the play of market forces, Western credits and heavy capital imports, resulting in hyper-inflation and unemployment. The consequent mass discontent resulted in the erosion of the socialist system. Economics, as Lenin pointed out, ultimately is a matter of politics.

The need for reform of the socialist economies is a vital and urgent task. Steps are to be taken to work out an effective policy to benefit from the scientific and technological revolution; socialist cost accounting system and new management procedures and to improve the socialist commodity economy and market under centralized planning. The bourgeois propaganda blitz about the supremacy of the market and its correlation with free choice and democracy must be decisively rejected. The socialist system and the planned economy provide the basis for creative innovations to enhance the productive forces, labor productivity and emergence of appropriate relations of production.

#### **Capitalism: no alternative**

Marxism-Leninism is the source for developing and perfecting socialism. It is this inexhaustible spring that can nourish socialism's new thrust forward overcoming the present problems and correcting distortions, not the historically obsolete system of capitalism. Exploitation of man by man and crisis are inherent in capitalist production. Exploitation occurs not because the workers are cheated or because of unfair exchange in the market. Exploitation takes place because there exists under capitalism a commodity-labor power—whose use itself creates a value larger than what it can command on the market. Surplus value generation, profit, the motive force and exploitation take place in the capitalist production process itself. Class exploitation is inherent in the dynamics of capitalist production not-

## FEEDBACK

*I enjoyed reading the articles on socialism, especially the one written by Slovo—very direct and straightforward. I saw that there are many who do not think of socialism as just "politics, politics politics" or the "iron hand of centralism" but as a whole philosophy which shows us how man can become truly human with all his rights fulfilled.*

—A comrade in Western Mindanao

*We like the new AB. Our publication is really improving. The series on socialism is a good start for our studies. I hope that more articles on this will follow. Please make such articles simpler; they are difficult to read.*

—A comrade in Northern Mindanao

*Your series on socialism is much appreciated. I am glad you have started to come out with articles—both originals and reprints—on the current developments in the socialist world. These are very timely, especially now that many questions have emerged*

*on what has been called the deep crisis being faced by socialism due to the collapse of the ruling communist parties in Eastern Europe and the turmoil in the Soviet Union.*

*The socialism series is of great help in our continuing studies on socialism. It would be valuable to know the positions or analysis of other comrades and communist parties in other countries—whether these are their official stands or are still undergoing debate. Apart from the internal documents of our Party, such articles/documents from other parties can widen our understanding of on the issues involved. And this is within the spirit of proletarian internationalism.*

*I was particularly impressed by Comrade Joe Slovo's article, especially since his presentation was historical. It was an eye-opener. I'm sure it shed light on many questions raised within the ranks of the revolutionary forces, particularly on the issues of socialism and democracy and socialist economic alienation. He has other points which we should seriously study.*

—A comrade in Central Luzon

### CP India...

withstanding any amount of social welfare measures. Emancipation from this exploitation means directly the overthrow of this system. It is not only a moral question. It is a historic necessity based on scientific realities. Capitalism, therefore, can in no way be the alternative in solving the problems arising out of the process of building and consolidating socialism.

The greatness, validity and continued relevance of Marxism-Leninism lies in the fact that it shows the historical inevitability of the overthrow of capitalism and the triumph of socialism on the basis of scientific analysis. The process of humanity's transition to socialism is a process of continuous

struggle for ending the exploitation of man by man and of nation by nation on the world scale. But this process, as we have seen, is a complex one marked by a continuous struggle between the forces of revolution and counter-revolution. As Lenin said: "It is undialectical, unscientific and theoretically wrong to regard the course of world history as a smooth and always in a forward direction without occasional gigantic leaps back." Such reverses and setbacks must be properly understood and correct lessons drawn in order to strengthen the forces of socialism against its enemies during this period of transition. The main trends of world development in this century however testify to the correctness of the content of the present epoch since 1917 as that of transition from capitalism to socialism on a world scale. ●