

**AQUINO DROPS CLOSE AIDES TO END GOVERNMENT PURGE.**By **Chaitanya Kalbag**

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MANILA, Sept 17, Reuter - Philippine President Corazon Aquino, under pressure from a disgruntled military, dropped two of her closest friends and advisers on Thursday as she continued to rebuild her battered government.

Fighting to contain the after effects of a coup attempt three weeks ago that nearly toppled her and revealed deep differences within the government, Aquino said in a televised statement: "I assure you we are on top of the situation."

In response to a propaganda barrage unleashed by the fugitive leaders of the failed revolt, she said: "All measures are being taken to safeguard this republic ... do not listen to this disinformation campaign."

Her hands clasped in front of her, her manner calm, Aquino said she was accepting the resignations of Executive Secretary Joker Arroyo and Legal Counsel Teodoro "Teddy Boy" Locsin.

She retained her armed forces chief General Fidel Ramos, whose sacking had been sought by the coup leaders.

In an unprecedented move, she put Ramos on live nationwide television to try to recapture the publicity initiative lost to the rebels.

Choosing the dramatic setting of the burned-out shell of the Armed Forces Headquarters building -- recaptured from the rebels in the August 28 rebellion -- Ramos said the military was "continuing to maintain our protection (of Aquino) and safeguard the stability of the republic."

He called for greater civilian support for the military.

Aquino praised Arroyo, 60, as a man of "proven courage" who had defied former president Ferdinand Marcos's authoritarian rule.

"He has left in the hope that this would bring peace and quiet to the government."

She said Locsin would continue to work with her as a consultant from outside the cabinet.

The two men submitted their resignations along with the rest of Aquino's 26-member cabinet on September 9. On Wednesday the 54-year-old leader announced Vice-President Salvador Laurel had quit his post of Foreign Affairs Secretary and she had dropped Finance Secretary Jaime Ongpin. Two senior officials outside the cabinet were also replaced.

Aquino's spokesman Teodoro Benigno told reporters there would be no further cabinet changes. "(This) finishes it off," he said.

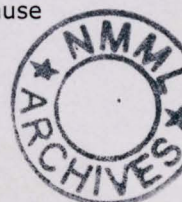
He said Aquino was "very upbeat", in contrast with her grim-faced televised speech on Wednesday in which she admitted to sharp disagreement with Laurel over her handling of an 18-year-old communist insurgency.

Arroyo, a former human rights lawyer who defended hundreds of political prisoners during the martial rule imposed by Marcos between 1972 and 1981, was perceived as a leftist by a restive military which wanted an all-out war against the communists.

He also earned widespread unpopularity among businessmen, who believed he had slowed Aquino's decision-making.

Locsin, who was Aquino's main speechwriter, came under sharp attack after the latest coup attempt because of what senior military commanders felt was his high-handed manner.

Aquino said Arroyo would be replaced by his deputy Catalino Macaraig. In another apparent conciliatory





gesture towards the military on Wednesday, she named two retired generals to the posts of acting foreign secretary and customs commissioner.

Political analysts said Laurel's departure had caused a deep rupture in the "rainbow coalition" that brought Aquino to power in February 1986. They said he was expected to forge a new alliance with opposition leader Juan Ponce Enrile, who also strongly opposes the government's handling of the insurgency.

Manila's two stock markets fell again on Thursday amid nervous trading before Aquino's announcement.

Bankers and businessmen have said the turmoil of the past three weeks has severely set back the Philippines' economic recovery and deterred investors.

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Enrile, 52, joined the PNB last December after a 10-year career with the Metropolitan Bank and Trust Co., the last three of which were as its president.

Jayme, 50, assumed his government post last December when President Corason Aquino dropped two cabinet ministers.

The latest government shake-up followed the resignations on September 9 of 26 cabinet ministers after internal struggles.

Official sources in the Finance Department and the Central Bank also said that speculation about replacements for Enrile and Jayme was widespread in Manila and Cebu.

Local and foreign bankers, who did not wish to be identified, said Jayme and Enrile had low profiles and their economic outlooks were not well known.

"Feelings in the banking community are mixed," the head of a large commercial bank said. He said most bankers would find the placement of Enrile and Jayme troubling because the two men had played the country's economic recovery since Aquino took power in February 1986.

Enrile and Jayme have close links with the PNB, which controls 20 of the 25 banks in the country. Many law makers saw it as a soft link between the Philippines' bankers.

Enrile and Jayme worked as adviser and with PNB's commercial bank subsidiary on July 15, respectively 13.2 billion of the country's 28.4 billion dollar foreign debt over a 17-year period at 20 percent annual interest, lower than that granted earlier to Mexico and Argentina.

Both agencies of Congress are considering who that "large bank" could serve along at 10 percent of assets, receipts in a three-year moratorium on repayments.

Enrile and Jayme may have to design a budget of new in Manila that would they will confirmed in their new posts by the Commission on Appointments.

Enrile and Jayme, as well as several other officials, were unavailable for comment. A list of members of the government cabinet was released this morning and Enrile, Jayme, Enrile and Jayme and Finance Secretary Jose Corason.

Official sources said Corason, Enrile and Jayme, along with several other officials of Executive Secretary Juan Ponce Enrile, were among several ministers expected to be named.

Finance Secretary Corason said last Tuesday the new appointments had been approved because some of the new appointments had been approved by the office.

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