The Philippines Is Pushed Over the Cliff

by Mike Billington

When the Philippine Senate, dominated by the government party, announced on June 24 the official tally for the May 10 presidential election, declaring incumbent President Gloria Macapagal-Arroyo the winner by 12.9 million votes to 11.8 million for opposition candidate Fernando Poe, Jr., opposition members from both the Senate and the House issued the following joint statement: "In the wee hours this morning, the majority in Congress delivered to democracy in our country a fatal blow from which it may never recover. Throughout the past three weeks, despite the unrelenting and well-founded entreaties of the opposition, the Congress majority steamrollered the canvassing of votes for the May 10 presidential and vice presidential elections in a display of extreme partisanship that was fully incompatible with its constitutional duty to determine the true will of the people as expressed through the ballot box. The majority played blind, deaf and dumb to the numerous and incontrovertible evidence of poll fraud that was bared right under their noses by the Congress representatives and lawyers of the KNP and other opposition parties."

Outgoing Vice President Teofisto Guingona, Jr. said the "monstrosity" of electoral fraud exposed during the canvassing is "a tragedy for the Filipino people," while Sen. Aquilino Pimentel, Jr., in his sponsorship of the minority report to Congress, said, "The proclamation of Mrs. Arroyo at all costs might reap the whirlwind of instability for the country."

But even more indicative of the threat of disintegration of the Philippines economy and social structure, are the following emergency economic pronouncements by the newly elected Arroyo government, and government agencies—tantamount to a declaration that the Philippines is a failed state:

June 28: The National Power Corporation (NAPOCOR) anounced a near doubling of electricity rates. President Arroyo said she would not intervene, while claiming she would make special funds available to the poor (but see below on the bankrupt budget). Arroyo had promised a *reduction* in electricity rates as a major campaign pledge.

June 25: President Arroyo lifted a freeze on tariff reductions. The tariff reductions had been implemented at the behest of the International Monetary Fund (IMF), but frozen as a concession to nationalist interests in the manufacturing and agricultural sectors during the election campaign. With the election over, the reductions are being renewed, despite the desperate need for government revenue.

July 1: The government announced a speeding up of the privatization of NAPOCOR, a project announced as President Arroyo's first order of business after being placed in office through a U.S.-backed military coup in January 2001. (NAPOCOR was bankrupted largely because a nuclear power plant constructed under President Ferdinand Marcos in the 1980s, was mothballed after Marcos was deposed in 1986, in the hysteria of the "anti-nuclear" movement of the day. Philippines taxpayers are still paying $155,000 in interest *every day* for the facility, without benefitting even one watt from the safe and highly productive facility. See the accompanying box.) To sweeten the sell-off of 35 power plants, and the leasing of the transmission lines, by the end of 2005, the government will absorb $9.3 billion in NAPOCOR debt, pushing its national debt-to-GDP (gross domestic product) ratio to the highest in the world for comparable economies.

July 6: The Philippines Federation of Bakers Association annnounced that the price of *pan de sal,* the basic bread roll of the Filipino people, would double in price from 1 peso to 2 pesos ($1=P55.87 and falling) due to increases in the price of baking ingredients.

July 7: Ten new tax and austerity measures were announced, as Rep. Joey Sarte Salceda, chair of the Economic Managers' Group to the President, said the country had six months at most, given the rising budget deficit of $5.5 billion and the outstanding debt of nearly $100 billion. "Drastic mea-

President Gloria Macapagal-Arroyo's re-election "victory"—amid charges of widespread vote fraud—is seen by opposition congressmen as a possibly fatal blow to democracy and stability.

sures are needed to increase revenue and reduce government spending," Salceda said. The government will raise all administrative charges, such as licenses, increase the Value Added Tax from 10% to 12%, shift corporate taxation from net to gross revenue to increase corporate taxes (which will hit manufacturing particularly hard), and index cigarette and alcohol taxes to inflation, so the government will profit from inflation!

July 12: A "fiscal compact" was declared by the government's economic managers, justified by a "declaration of fiscal crisis." Among the numerous austerity measures, revenue allotments to local government units will be suspended. This will certainly result in conflicts between the regions and the center in Manila, as happened when the IMF demanded similar payments to the Federal government from the provinces in Argentina, to pay the foreign debt.

Dumping the Presidential System

But the most revealing, and the most scandalous, of President Arroyo's post-election moves on behalf of the IMF and other foreign vultures now closing in to pick the bones of the Philippine economy, was the announcement that she would move with all due haste to convene a Constitutional Convention, aimed at a "charter change" from the U.S.-modeled Presidential System of government, to a European-style Parliamentary System. President Arroyo openly promoted the fact that her primary goal was to eliminate the crucial "checks and balances" aspect of the Presidential System. "The problem of the presidential form," she said, "is the legislative and the executive are separate, so they are conflicting by nature. In the parliamentary form of government, they are one. The decision of the executive presumes already that the legislative is part of the decision-making, therefore the laws will move faster."

This pronouncement is all the more startling in light of the developments in Washington in the past weeks, in which the "checks and balances," which reside in both the legislative and the judicial branches of government under the Presidential System, have checked the moves toward dictatorial powers by President Arroyo's sponsors in the executive branch of the Bush Administration! The Congress is investigating and exposing the lies used to justify the illegal preemptive war on Iraq, fraud by Vice President Dick Cheney's Halliburton Corp., and the planned, systematic torture of prisoners, among other crimes, while the Supreme Court has taken an historic stand against the "imperial Presidency" implemented under the direction of Vice President Cheney, condemning and forbidding the Administration's policy of declaring itself to be above international and constitutional law in regard to the prisoners from the Afghanistan war. As Supreme Court Justice Sandra Day O'Connor opined, "A state of war is not a blank check," despite Cheney's pretentions to the contrary.

As President Arroyo denigrated the Philippine Constitution and the Presidential System as outmoded, as "a system of the 20th Century," she was at the same time joining the Cheneyacs' assault on the U.S. Constitution, which is standing in the way of tyranny in both countries.

A similar call to revert to the British form of government, against which America stood as a beacon of hope and liberty, was recently issued by U.S. Presidential candidate Ralph Nader. Nader is being placed on the ballot in several states by Republican Party networks, in an effort to split the opposition to a Bush/Cheney reelection. Nader is a spokesman for the radical environmentalist movement against human progress, whose campaign manager, not surprisingly, has worked for many years for mega-speculator George Soros, who has been leading the effort to legalize psychotropic drugs. Soros, it will be remembered in the Philippines, led the speculative assault on the Asian currencies which caused the collapse of 1997-98. Is President Arroyo aligning the Philippines with this filth?

There are also severe economic consequences to President Arroyo's call for a Constitutional Convention. The current Constitution, drafted in 1987, following the 1986 coup against President Marcos, retained a number of nationalist, protective measures for the economy, especially restrictions on foreign ownership of most categories of business and industry, and of property.

Gen. Fidel Ramos—who orchestrated both the 1986 coup against Marcos and that of 2001 against President Joseph Estrada—during his own Presidency, from 1992-98, dramatically watered down the constitutional protective measures, on behalf of his sponsors in Washington and the Carlyle Group, of which he is a member. Nonetheless, the international free-trade "globalization" mafia has harped on every Philippine government to eliminate all remaining such restrictions on foreign prerogatives. Ramos himself, speaking at the East-West Center in Hawaii on May 26, describing himself as "President Arroyo's older brother," instructed her to move rapidly to shift to a parliamentary system.

U.S. Ambassador to the Philippines Frank Ricciardoni, a close ally of the neo-conservatives in the Bush Administration, has lectured his host government repeatedly that the 1987 constitutional restrictions on foreign ownership stood as a "barrier" to foreign investors, and should be removed.

The New Argentina

The Arroyo Administration has been forced to defend itself against the growing chorus of voices, including from this magazine, which have warned that the Philippines will soon be given the "Argentine treatment"—i.e., having done absolutely everything demanded of it by the IMF, and having thus been driven into bankruptcy, the plug will be pulled and the nation will be left to die.

On July 6, for the third time this year, the government's effort to sell medium-term bonds failed, as banks demanded interest rates far above that acceptable to the government.

The Fitch rating agency released a report on the Philipines on June 30, the day President Arroyo was re-inaugurated, which warned Manila that credit downgrades and other punitive measures would soon strike if the government "failed to exploit the improved political backdrop [sic] by making headway on fiscal policy tightening." Fitch pointed to the national debt, which was 58% of GDP in 1999, 70% at the end of 2003, and, with the absorption of the $9.32 billion in NAPOCOR debt, will reach 90% in 2004. Interest payments alone account for an incredible 46% of national revenues! Except for Japan, the Philippines is now the largest debt issuer in Asia.

The IMF also added its weight, calling in Treasury Secretary Mina Figueroa to be grilled by a five-man panel, insisting on new taxes and new issuance of debt. As noted above, the government is responding in lock-step. In addition, the government announced that it would adopt a new accounting system demanded by the IMF. Reminiscent of U.S. methods of stealing Social Security funds to cover current deficits, government borrowings from government-owned and -controlled corporations, government financial institutions, and Social Security institutions will be excluded from the computation of public sector debt, according to an official of the Department of Finance. Excluding these amounts from computing public debt, said the official, would "improve" the country's debt-to-GDP ratio—all on paper, of course. The official 2003 figures of public debt were supposed to have been released in June, but are being held up while they cook the books, IMF-style.

The impact of the financial collapse is palpable. One-third of the population lives in poverty, a poverty which is painfully visible to any visitor to Manila, as squatters fill every nook and cranny along the railroads and the open sewers, without water or electricity. While agriculture is holding its own, manufacturing plummetted by 11% in March, the second month of decline. Foreign direct investment fell by 26% in 2003, compared to 2002. The currency is falling precipitously—nearly 5% in the past year.

Hostage in Iraq

A primary source of foreign currency for the Philippines is remittances, totalling over $7 billion per year, from the more than 5 million workers who have left their families to toil overseas, unable to find work at home. More than 4,000 of these workers are in Iraq, working for the occupation armies under U.S. command. President Arroyo also sent a small contingent of 51 soldiers and police to serve in Iraq, a charade meant to add another country to the list of the "coalition of the willing" to please the neo-cons.

This combination of desperation and subservience has now placed the Philippines in a quandry, as a truck driver in Iraq has been kidnapped, and threatened with beheading if the Philippines does not remove its troops immediately. President Arroyo promised not to replace them when their contracted term runs out on Aug. 20, while offering a ransom payment for the worker's release. Finally, on July 13, when these efforts had failed, she offered to pull the troops out early. This has infuriated the Bush Administration, which demanded "clarification," and accused the government of "sending the wrong signal to terrorists." But the already explosive social situation in the Philippines appears to be forcing President Arroyo to stand up, for once, to the Washington "Imperial Presidency."

Whether or not the Philippines will also stand up to save its population from the economic ravages of the world financial system, however, is more problematic. The example of Malaysia's former Prime Minister, Dr. Mahathir Mohamad, who imposed exchange controls against the speculators and the IMF in 1998, or Argentina's President Nestor Kirchner, who has refused to capitulate to the IMF, demonstrate the kind of leadership which is thus far lacking in the Philippines, either in the government or in the opposition. In the cases of both Malaysia and Argentina, Lyndon LaRouche and the *EIR* were able to contribute significantly to internationalizing the efforts of such relatively small nations, whose leaders chose to defend their populations against the tyranny of the collapsing IMF-centered financial system, and the threats of London/Washington imperial interests. But such leadership must come from within.