

# Philippines Faces 'Total Collapse'

by Michael Billington

"I'm afraid the country is heading for total collapse," said former Philippines Sen. Francisco "Kit" Tatad on Nov. 25; and he is not alone in fearing such a catastrophe. Although Presidential elections are scheduled for May, there is mounting concern that military action may intervene—or, if the election proceeds, that the results will not be credible.

Behind the political chaos is an economic crisis of explosive proportions. On Nov. 21, Finance Minister Jose Camacho resigned suddenly, sending shock waves through the financial system, and driving the peso to record lows. The public reasons for the resignation of a man much admired by Western bankers are obscure at best, but the actual reasons are not deeply hidden. Antonio "Butch" Valdes, an economist and head of the Philippines LaRouche Society, said Camacho was overwhelmed by the inability of the government to sustain the economy and population: "The budget for next year was not passed by the Lower House, so the government will have to make do with last year's budget, an unprecedented situation. The retirement benefit system of the Armed Forces of the Philippines (AFPRSBS) has gone bankrupt, with losses equivalent to \$550 million, from failed speculative investments dating to Fidel Ramos' early 1990s Presidency. The retirement benefits are being paid, albeit considerably late, from still unknown sources of the budget. The Government Service Insurance System, having incurred billions in losses from the same period's failed speculations, needs to be bailed out as well."

Senator Tatad told the *Daily Tribune* that Camacho must be "grilled on why he really resigned . . . to let the people know of his assessment of the economy under the present administration." According to Valdes, "Total government foreign debt is \$57 billion. . . . Government domestic debt is nearly as great, and conditional debt, due to sovereign guarantees, is estimated at \$30 billion. Projected debt service requirements for 2004 are [\$8.2 billion], while the proposed budget for next year is [\$16 billion]. Since the maturities of new debt have been shortened, and some restructured old debts are maturing next year, it would seem clear, especially to Secretary Camacho, that interest payments, which are what we actually pay to service debt, have finally surpassed our capacity to borrow."

The Philippine currency has fallen by two pesos to the dollar this year, to 55.67. Every one-peso fall adds nearly \$1

billion in debt to the bankrupt economy, because the huge debt is dollar-denominated. Manufacturing output is now falling at 3.7%, with official unemployment at 12.7% and thousands of firms going out of business.

Valdes says that more resignations are expected as the shipwreck unfolds, including the National Treasurer, the Commissioner of Bureau Internal Revenue, Commissioner of the Bureau of Customs, and possibly the Secretary of the Department of Budget and Management.

## Military unrest

The military was already restless, even without the threat to their pensions. Last July, a group of young officers mutinied, seizing a building complex in the Makati business district, with demands for the resignation of Secretary of Defense Angelo Reyes and Military Intelligence chief Victor Corpus—for corruption, and for complicity in aiding the terrorists, with the intent to justify U.S. military aid and U.S. troop deployments to the Philippines. The action ended peacefully, with the government of President Gloria Macapagal-Arroyo agreeing that the charges would be fully investigated. Corpus and Reyes were indeed forced to resign, but a serious investigation was never conducted. Reports of new actions by factions within the military are rife.

The Philippines is also embroiled in a constitutional crisis regarding the power of the Supreme Court. The crisis arose from the Supreme Court decision in January 2001 to place then-Vice President Arroyo in the Presidency, based on the claim that former President Joseph Estrada had resigned—which, in fact, Estrada had specifically refused to do. An impeachment trial in the Senate against Estrada had failed, so his opponents resorted to a U.S.-supported military coup (masquerading as a “people’s power” demonstration) to overthrow him. Estrada instead took a leave of absence, constitutionally appointing his Vice President (Arroyo) as “acting” President. Supreme Court Chief Justice Hilario Davide, ignoring the Constitution, then declared that Estrada had resigned, and swore in Arroyo as the new President (Tatad, then a Senator, has written a detailed account of the putsch, entitled *A Nation on Fire*).

Estrada, jailed and accused of “plunder,” tried to have Justice Davide and his Court impeached for their disregard for the Constitution. The House of Representatives, controlled by the ruling party, rejected that; but House opposition members then moved to have Justice Davide impeached for corruption, gathering enough sponsors to move the case automatically to the Senate for trial. Justice Davide intervened, ruling his own impeachment illegal on a technicality that prohibits two impeachments within the same year!

With cries of judicial tyranny, more than 10,000 people demonstrated in the Makati business center on Nov. 12, demanding the resignation of Chief Justice Davide and President Arroyo. Police moved in as soon as the demonstrators’ permit expired, with tear-gas and water guns to disperse the crowd, fanning the flames of discontent.

## Elections

President Arroyo, faced with a similar threat of social chaos in 2002, had promised that she would not run for re-election in May 2004, hoping this would bring the nation together. However, based primarily on support from the Bush Administration, she decided this year to renege on that pledge. Following the demonstrations of Nov. 12, she tried a similar ploy, calling for reconciliation with all opposition forces: the Marcos family and its supporters; Estrada and his base; the Moro Islamic Liberation Front (MILF) in Mindanao; and even the communist New People’s Army. In light of Arroyo’s failure to live up to her earlier pledge, the new offer was largely dismissed as meaningless by the opposition forces, which are negotiating among themselves to choose a unity candidate. At the same time, several officials in the Arroyo government have resigned and formed a third-force party for the campaign. However, few believe there can be fair elections under current circumstances.

But none of the candidates address the ongoing dollar collapse, nor the global war danger if the neo-conservatives in the Bush Administration are not forced out of office. Trapped in debates over local issues, while the crisis is driven by larger forces centered in Washington, the Philippines is not participating in the new Eurasian diplomacy aimed at building political and economic alliances to withstand the collapse of the American “importer of last resort.” As America’s “special friend” and “non-NATO ally,” the Arroyo regime is depending on a dangerous sponsor.

To address this problem, LaRouche Society leader Valdes called on Filipinos to embrace a program for “the establishment of a new and just economic order, by declaring the present floating-exchange-rate system as bankrupt. And, in its stead, the implementation of a fixed-exchange-rate system, in the tradition of the Bretton Woods Agreement of 1945.” He also called for the “immediate withdrawal of U.S. and Philippine troops from occupied Iraq”; a full investigation of the U.S. officials who presented false justifications for the illegal Iraq invasion and the deployment of Filipino troops to Iraq; an end to the U.S. military intervention in the “troubled areas of Mindanao, in order to pave the way for détente and mediation, mutually acceptable to the MILF and the Philippine government”; and that the U.S. stop pressuring the Philippines to withdraw from the “Alliance of 21, which rejected onerous proposals in the WTO [World Trade Organization] meeting in Cancún, Mexico.”

Valdes concluded: “As citizens of the Philippines, we recognize and acknowledge the role of U.S. leadership, and its impact on our lives. It is precisely this reality which continuously inhibits our leaders from doing what is right for the Filipino people. The best qualified leaders here are doomed to inevitable failure, unless the world economic and financial system is corrected.” He called on Filipinos to join with Lyndon LaRouche in promoting these ideas at home and worldwide, as “our civilization’s last chance at world peace and development.”