

Shultz and the 'Hit Men' Destroyed the Philippines

by Mike Billington

Editor's Note: *This is the third in a series of features on the assault against the Third World by the "Economic Hit Men." We examine here first the case of the Philippines, and then Mexico.*

The U.S.-orchestrated coup which overthrew the government of Philippines' President Ferdinand Marcos in 1986 was a classic case study of what John Perkins describes in his recent book, *Confessions of an Economic Hit Man*, as the post-World War II preferred method of imposing colonial control under another name. In the Philippines case, George Shultz performed the roles of both the economic hit man, destroying and taking full control of the Philippine economy, and the coup-master, deposing the Philippine President in favor of an IMF puppet—while calling the operation "people's power."

Throughout this process, from the late 1970s through the February 1986 coup, and beyond, Lyndon LaRouche and his collaborators were fully engaged in the fight to expose and reverse this subversion and destruction of one of America's most important allies, by the supranational financial institutions which Shultz and his ilk represent. By mobilizing support from patriots of both the United States and the Philippines, the LaRouche effort put a spotlight on the crimes of the Shultz cabal, as will be shown below. Although the effort failed to stop the process at that time, the crimes thus exposed in the Philippines can and must serve today as a nemesis to Shultz and his neo-conservative operatives, who are in an endgame in their effort to impose a new fascist order over the planet.

In a Nov. 16 interview on radio station DZAR in Manila, LaRouche described his own view of the special mission of the Philippines nation: "The Philippines has a very important pivotal role, some people would say geopolitically, in the

entire region, of trying to bring together on a global scale *for the first time*, a world system, which is capable of accommodating *both* the European cultural heritage and Asian cultures. This is the great barrier, the *great frontier*, of a hopeful future for this planet: to bring together the cultures of Asia—which are different than those of Western Europe generally—with European culture, to get a *global culture* based on a system of sovereign nation-states, which understands that this unresolved cultural question has to be addressed, with a long-term view, of several generations, of creating an integrated set of sovereign nation-states as the system of the planet. So the Philippines is a very special country, with a unique importance for the people of Asia, in particular, in playing a key role in bringing about this kind of general integration of Asian and European civilizations."

The lesson of the subversion of the Philippines in the 1980s for today is clear. Shultz is the *eminence gris* behind the neo-conservatives running the Bush Administration, which has brought the world to the current disastrous circumstance. It is also the case that the Philippines, although currently lacking any national leadership comparable to that of Marcos, is nonetheless facing a new coup threat, orchestrated by the same neo-conservative circles in Washington who were responsible for the 1986 coup.

The popular memory of Ferdinand Marcos today, in the U.S. and in the Philippines, is largely shaped by the massive disinformation campaign created in the early 1980s by the circles around then-Secretary of State Shultz, and his deputy Paul Wolfowitz. Marcos was accused of corruption, human rights violations, plunder, and even the murder of a political opponent, Benigno Aquino—and this caricature is repeated *ad nauseam* still today. While Marcos was not without faults, he was by far the last Filipino head of state to have understood



In the early 1980s, the circles around then-Secretary of State George Shultz (left) and his deputy Paul Wolfowitz (right), led a massive propaganda campaign against President Ferdinand Marcos. "His overthrow by the Shultz cabal had nothing to do with the charges issued publicly, but were intended to stop his national development policies, and his international collaboration with LaRouche and others in countering the genocidal policies of the IMF, and bringing into being a new world economic system based on development and justice."

the challenge of true leadership in a world slipping towards chaos. His overthrow by the Shultz cabal had nothing to do with the charges issued publicly, but were intended to stop his national development policies, and his international collaboration with LaRouche and others in countering the genocidal policies of the IMF, and bringing into being a new world economic system based on development and justice.

Marcos's True Legacy

Marcos was elected President in 1965, just as the United States launched the disastrous and futile war in Indochina. The fact that the United States used its bases in the Philippines, Subic Bay and Clark Airfield in Luzon, as launching pads for the Indochina War, fed a domestic insurgency by the Maoist New People's Army (NPA). Marcos was then treated as a close friend and ally of the United States. Even when he declared martial law in 1972, with the Indochina War still raging, the Administration of President Richard Nixon raised no objections.

But Marcos was not only concerned about "counterinsurgency" in declaring martial law. When he was elected President in 1965, the Philippines was still essentially a colonial economy, although the United States had granted full independence on July 4, 1946, as had been promised by President Franklin Roosevelt in 1934. Productivity was low in both agriculture and industry: agriculture lagged as the Philippines

relied on special access to U.S. food exports, and industry was confined to process industries, rather than the development of basic industries.

Marcos set out immediately to establish Philippine food self-sufficiency in rice and corn. This also required breaking the control of the landed aristocracy left over from the Spanish imperial era. Marcos was the first President of the Philippines who did not rise from this elite class, but was a "commoner" trained as a lawyer.

As President, he focussed on basic agricultural infrastructure, especially irrigation, in the major food-producing regions of Luzon and Mindanao. Credit facilities, mechanization, and the introduction of high-yield rice varieties, which needed irrigation, resulted in the elimination of rice imports by 1968.

Land reform, primarily a political problem, remained illusive. However, when Marcos imposed martial law in 1972, among his first acts was a proclamation that the entire nation was to be considered a "land reform area," and a declaration that all tenants working land devoted primarily to rice and corn were to be the owners of that land, up to a specified limit. Despite the enraged opposition of the oligarchy, the program proved to be extraordinarily successful. Coupled with the infrastructure and mechanization improvements, a quarter of a million peasants became land owners, and grain productivity increased by half.



Marcos built the first (and so far, only) nuclear power plant in Southeast Asia, and in 1979 announced a plan for 11 major industrial projects, with the intention of shifting the nation's industrial economy from consumer goods to basic heavy industry. The IMF attacked these projects as unrealistic, demanding debt payment instead.

Another major step after the declaration of martial law was to contract with Westinghouse for the Bataan Nuclear Power Plant—which was to be the first (and would still be the only) commercial nuclear power plant in Southeast Asia. While nuclear power is clearly the only sane solution to the energy requirements across the region, the sad saga of the Bataan Nuclear Plant symbolizes the pure evil of the policies enforced by the “economic hit men.” As originally contracted, the plant should have cost about \$1 billion, and produced 1,200 MW of electricity by 1984. However, after the hysteria generated by the anti-nuclear “Nuclear Club of Wall Street” (see *EIR*, Dec. 3, 2004) following the 1979 accident at the Three Mile Island Nuclear Plant in Pennsylvania, the Carter Administration imposed retroactive safety regulations which contributed to more than doubling the cost of construction. Then, after the overthrow of Marcos in 1986, one of the first acts of the new Presidency of Corazon Aquino was to mothball the fully completed, but never used, Bataan Nuclear Plant. The Philippines has been forced to pay countless billions in debt service, and pays still today over \$155,000 per day, for this nuclear facility, without having drawn one watt of electricity from the state-of-the-art facility. Two further nuclear power facilities which were planned to provide 1,880 MW of electricity by 1991, were also scrapped.

Nuclear energy was not the only innovation of the Marcos regime. In 1979 Marcos announced a plan for 11 major industrial projects, with the intention of shifting the focus of the

nation's industrial economy from consumer goods to basic heavy industry. Included in the plan were steel, petro-chemical, pulp and paper, a copper smelter, aluminum, phosphate fertilizer, diesel engines, gas and oil, a coconut industry, and the nuclear power program.

The Marcos Administration, during the 1972-81 martial law period, tripled the country's road network, doubled the electrification of the country's homes, increased irrigated cropland eight-fold, and achieved rice and corn self-sufficiency.

Minimum daily wage rates tripled, although inflation, driven by international oil price hikes and exploding U.S. interest rates, more than wiped out these wage increases.

Enter the Economic Hit Men

This level of development—especially the capacity to free the nation from dependence on the international oil and raw materials cartels—was not to be tolerated by the international financial institutions. The contrived oil shortages of the 1970s left the Philippines, like all non-oil-producing nations, with huge debts. This was followed by the 20%-plus interest rates imposed by U.S. Federal Reserve Board Chairman Paul Volcker in 1979, which doubled and tripled the debts of most Third World nations within a few years.

In 1981, Marcos lifted martial law. Also in that year, he attended the North-South Summit in Cancun, Mexico, organized by Mexican President José López Portillo (see accompanying article) where he spoke out for a “new world economic order,” and denounced the destructive “conditionalities” imposed by the IMF in exchange for financial assistance in a crisis. Then, in September 1981, Marcos pushed through the Philippine Congress nearly \$4 billion worth of priority infrastructure projects, including irrigation, drainage and flood control programs, highways, telecommunications, and airports.

This was answered in 1982 (the year George Shultz became Secretary of State) by an IMF report which attacked Marcos's projects, demanding debt payment instead: “In the Philippines situation, restraint on public investment could be an effective instrument for securing an improvement in the current account deficit.” IMF Director Jacques Delarosi re lectured that the country had set “unrealistic growth targets,” while the World Bank denounced the Marcos government for supporting national industries.

These “softening up” raids were not adequate to control the Marcos government. Shultz visited Manila in the Summer of 1983, overseeing another 20% devaluation of the Philippine peso, thus further increasing the costs of financing the already-illegitimate foreign debt.

The full-scale assault began in the Fall of 1983, with the murder of Benigno Aquino. Aquino, an opposition leader whom Marcos had allowed to leave prison in order to get medical treatment in the United States (despite facing a death sentence for murder and subversion), chose to return to the



When Marcos was elected President in 1965, the Philippines still had a colonial economy. He moved to establish food self-sufficiency, which brought him into conflict with the landed aristocracy left over from the Spanish imperial era. "Marcos was the first President of the Philippines who did not rise from this elite class, but was a 'commoner' trained as a lawyer." Here, a shantytown in Manila.

Philippines in August 1983 after three years in the United States. He was gunned down as he emerged from his plane in Manila.

Although the actual conspirators were never officially discovered, the assassination was immediately blamed on Marcos, and the economic hit men called in the "jackals" (as Perkins called those whose job was to depose or even kill world leaders who resisted the demands of the economic hit

men like himself). In the Philippines, Shultz and Wolfowitz doubled as economic hit men and jackals.

As to Aquino's view of the pending threat to his life, he had been asked by the U.S. magazine *Mother Jones* in January 1983, while contemplating his return to the Philippines: "What do you think Marcos will do?" Aquino replied: "He will keep me alive, because he knows the moment I die, I am a martyr, like Martin Luther King, and he wouldn't want that.

Why Marcos Was a Target Of the Economic Hit Men

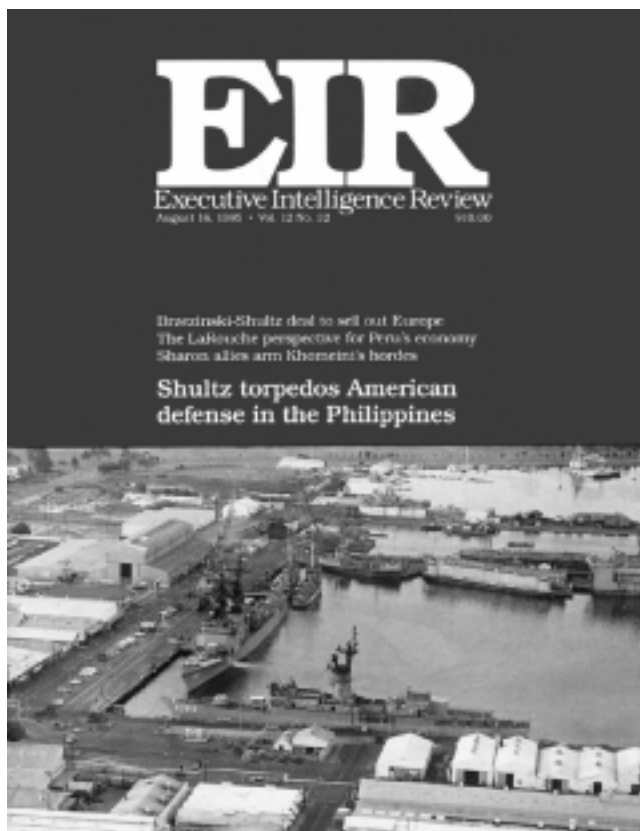
President Ferdinand Marcos authored a book in 1983 entitled An Ideology for the Philippines. The following excerpt exemplifies why Marcos was a target of the Economic Hit Men:

The Western philosophical tradition locates man's uniqueness in his rationality: It defines man as a rational animal. The idea of man does not necessarily lead to the philosophy of humanism, for the concept of rationality could be construed mechanistically: as a movement of thought that follows a set of inflexible principles. The Cartesian conception of reason is mechanistic in this sense. For it regards thinking as something that can be pursued only in one way:

beginning with clear and distinct notions, the mind moves forward, step by step, following only the dictates of logic. What Cartesianism overlooks is that element of creativity so essential to the concept of human rationality. The recognition of man's creativity, or that impulse to create new forms and new modes of coping with the demands of reality, has tremendous implications—not only for a philosophy of man but also for social policy and thus for ideology.

In a sense, we can regard the history of civilization as the history of human creativity. The so-called scientific revolutions represent man's disengagement from traditional modes of thinking. . . .

The humanistic thrust of our ideology precisely takes into account the fact that apart from being rational, in the Cartesian sense of the term, man has a gift of creativity that expresses itself not only in his art but also in his science and social institutions. This creativity is what makes man truly human. In fact, it seems more appropriate to define man *not* as a rational animal but as a creative being.



The Aug. 16, 1985 EIR reported that U.S. Ambassador Bosworth was plotting, with Acting Chief of Staff Lt.-Gen. Fidel Ramos, to overthrow Marcos. "The story was based on information from reliable sources both in the Philippines and in Washington, where certain patriotic layers within the government, intelligence, and the military did not accept America's transformation into an imperial power. . . ."

Another possibility, he lets me out, and the communists knock me off. They blame Marcos. They have a martyr and they have eliminated a stumbling block." Aquino also understood the actual cause of the economic disaster striking the Philippines: "If you made me President of the Philippines today, my friend, in six months I would be smelling like horseshit. Because there is nothing I can do. I cannot provide employment. I cannot bring prices down."

Within two months of the assassination, the remaining credit lines to the Philippines were drastically cut, and another 21% devaluation was imposed. The nation was bankrupt. Finally, on Oct. 15, 1983, Marcos was allowed to declare a moratorium on the unpayable debt, but only on condition that the big projects he had backed to modernize the nation be scrapped, while many of the industries supported by the state were turned over to domestic and international vultures (this was done under the guise of accusing the owners of these industries of being corrupt "cronies" of Marcos).

The LaRouche movement, meanwhile, was sponsoring conferences in Bangkok, Thailand, one in October 1983, and

another in October 1984, on the subject of the proposal authored by Lyndon LaRouche for "Development of the Pacific and Indian Ocean Basins." Philippines Deputy Foreign Minister Pacifico Castro attended the 1984 Conference, speaking on "Regional Economic Cooperation and Security," joined by government and business leaders from across the region. The conferences proposed such "Great Projects" as the Kra Canal in Thailand, and the physical transformation of Asia, as the driving force behind a new world economic order.

Jackals

The opponents of Marcos were soon being wined and dined in Washington, by both the right wing (Shultz and Wolfowitz) and the left wing (Rep. Stephen Solarz, Sen. Ted Kennedy, and Princeton's Richard Falk) of the "Project Democracy" apparatus, which performed the subversive tasks assigned by the synarchist banking institutions. Salvador Laurel, the son of the quisling President of the Philippines under the Japanese occupation, headed the opposition after Aquino's assassination, and in February 1984, visited Washington, where he was greeted by Vice President George H.W. Bush and Secretary of State Shultz. Representative Solarz introduced legislation into the Congress to abdicate the treaty regulating the U.S. bases in the Philippines, cutting the agreed aid to the Philippines by two-thirds. At the same time, a nest of anti-nuclear and anti-development NGOs in the United States took up the cause of overthrowing the "Marcos dictatorship," including a gathering of anti-nuclear forces in Manila, including Richard Falk and representatives of the West German Green Party. Stephen Bosworth, a close collaborator of Henry Kissinger, was appointed Ambassador to the Philippines, and from that position he would subsequently orchestrate the coup against Marcos.

By October 1984, the Philippines was forced to submit to an IMF refinancing package that included an end to price controls on rice and other staples, a float of the peso, unrestricted foreign exchange speculation, import reductions, domestic austerity, and yet another devaluation—making a total of a 63.3% devaluation in one year, nearly doubling the cost of financing the foreign debt. Ironically, the opposition, fully supported and sponsored by the IMF-related institutions, rallied support among the population by denouncing Marcos for "acceding to the oppressive conditions of the IMF."

Throughout 1985, President Ronald Reagan defended the American relationship with the Philippines and with President Marcos, despite the fact that Secretary of State Shultz and Deputy Secretary Wolfowitz openly disagreed with that assessment, instead demanding Marcos's head. The crisis came to a head in July 1984, when the U.S. Congress adopted the Solarz proposal to rip up the Bases Agreement, not only slashing the financial commitments, but insisting that the remaining aid be distributed not by the Philippine government, but by the Church, which, under Cardinal Jaime Sin, had



Marcos in 1985 greeted Gen. Mercado Jarrin, (ret.), head of Peru's Institute of Geostrategic and Political Studies, who was part of an EIR/Schiller Institute delegation to discuss a partial moratorium on foreign debt. On Mercado's left is then-Philippine Foreign Minister Pacifico Castro, who had spoken at a LaRouche movement conference on "Development of the Pacific and Indian Ocean Basins" in 1984.

openly called for insurrection against the government.

By November, the plans for insurrection were unveiled publicly, as the Washington-based Center for Strategic and International Studies (CSIS), the home of Henry Kissinger and Zbigniew Brezezinski, carried out a "war game" against the Philippines, based on a scenario in which President Marcos is assassinated, Soviet "spetsnaz" commandos join the New People's Army in taking over the Philippines, and the U.S. military goes into action to "save" the country.

The CSIS's work in Asia was largely financed at that time by the C.V. Starr insurance empire, run by Maurice "Hank" Greenberg. Greenberg and C.V. Starr owned most of the insurance industry in the Philippines, and a number of Philippine politicians as well, and served as the crucial "on the ground" economic hit man in the Marcos coup.

Marcos continued fighting for the principle of a new world economic order. In November 1985, *EIR* and the Schiller Institute, the international association directed by Lyndon and Helga LaRouche, invited Gen. Edgardo Mercado Jarrin (ret.), the head of Peru's Institute of Geostrategic and Political Studies, to tour Asia, promoting the partial moratorium on foreign debt then being implemented by the Peruvian government. In addition to conferences in Thailand and India, General Mercado Jarrin and the *EIR*/Schiller Institute delegation met with President Marcos in Manila. Marcos told the delegation:

"Third World Asian and South American countries should get together and push through the condonation of part of their loans. How can Third World countries pay their loans, amounting to \$900 billion?" Marcos estimated that the paying capacity could not exceed \$300 billion.

The Aug. 16 *EIR* published a story entitled "Plotting the Fall of an American Ally," which reported that U.S. Ambassador Bosworth was plotting a military coup against the Marcos government. The article reported: "Bosworth now meets up to two hours every day with Acting Chief of Staff Lt.-Gen. Fidel Ramos, a West Point graduate whom the United States is attempting to groom as a leader of a new civilian-military junta, despite his loyalty to President Marcos." The story was based on information from reliable sources both in the Philippines and in Washington, where certain patriotic layers within the government, intelligence, and the military did not accept America's transformation into an imperial power serving the synarchist financial interests.

The *EIR* exposée forced a public denial by General Ramos and by Ambassador Bosworth. As events proved, the warning was deadly accurate.

Marcos was finally coerced by Washington into calling new elections for February 1986, even though the Constitution mandated elections only in 1987. The opposition, in constant coordination with U.S. Ambassador Bosworth and the Shultz State Department, chose to run Aquino's widow, Corazon Aquino, as the Presidential candidate, with Laurel for Vice President.

As still seen today in such neo-con-controlled "people's power revolutions," such as in Georgia and Ukraine, U.S. intelligence agencies financed and controlled the "citizen" electoral monitor organization, the National Movement for a Free Election (Namfrel), and prepared to declare "vote fraud" if the election did not go the way intended. Paul Wolfowitz in November 1985 told the U.S. Congress that there would be a "complete collapse of political confidence" if the elections were not perceived as "fair"—i.e., if Marcos were not defeated.

Indeed, on election day, the opposition was ahead in the early returns from Manila—which was expected—and Aquino was instructed to declare herself the winner. However, when the rural votes came in, where Marcos was still loved for the development he had brought to the nation, Mar-



Women and children working in a small, labor intensive UNICEF project to supplement their food supply in 1986, the year after Marcos became President. Instead of this type of project, where people labor like animals, Marcos opted for extensive industrialization and infrastructure projects. Instead of seeing too many people, as did the IMF apologists, he saw unrealized creative potential.

cos overtook Aquino and won the election.

In an astonishing public admission, former U.S. Ambassador to the Philippines William Sullivan (who had also been Ambassador to Iran when the Shah was overthrown by similar means in 1979), told CBS News on Feb. 9, two days after the Philippines election: *"The facts as they emerge are becoming increasingly irrelevant, because it's the perception that prevails both in the Philippines and, I think, internationally, that Mrs. Aquino won the election as far as the polling places were concerned, but the government, in the tabulation, changed the vote counts."*

As *EIR* had warned, General Ramos then led a military revolt against President Marcos, calling for crowds to surround the military base in the center of Manila, to create an image of "people's power," while the masses of the population were disenfranchised by the overthrow of their elected President. By the end of February, President Reagan had been convinced by Shultz to give up his defense of President Marcos, and endorse the military coup; Marcos and his family were sent to Hawaii.

IMF Carnage

The results of this subversion are still evident today in the decay of the economic and social fabric of the Philippines. Corazon Aquino fulfilled every IMF request, from the closure of the completed nuclear power facility to the deregulation and privatization of much of the economy. It was a surprise to some of Aquino's supporters, but not to LaRouche, when the pro-IMF members of the Marcos Cabinet were retained in the new government. General Ramos took over directly in the next Presidential election in 1992, selling the nation to the Enrons of the West through corrupt, unequal contract agreements, especially in the energy sector, which left the country in absolute bankruptcy after the speculative assault on the

Asian economies in 1997-98. Joseph Estrada, another "commoner," was elected President in 1998, but was allowed only two years in office before another "economic hit man"-orchestrated-coup (again with General Ramos doing the bidding for his foreign controllers) brought him down in January 2001.

The current President, Gloria Macapagal-Arroyo, has generally done what was demanded of her by the neo-conservatives in power in Washington. However, when she pulled the token Philippine military force out of Iraq, and then upgraded the country's relations with China, she won the ire of her patrons, and is now facing the threat of yet another coup—with General Ramos again the neo-cons' man on the scene.

LaRouche, together with his collaborators in the Philippines, intends to use this history of the economic hit men, in the Philippines and elsewhere, as a necessary part of the fight to end such criminality forever. As LaRouche concluded in his address to the Nov. 16 radio show quoted above: "I have had a long-standing special attachment to the Philippines, and I am very much concerned for its integrity and sovereignty and well-being today. I would be very happy, and the Philippines would make me very happy, by being truly sovereign, successful, growing, and peaceful again today. And you may expect that wherever I am and whatever I am doing, that commitment is very active within me, for very special reasons that I won't bother going into, on this question of the Philippines. I am concerned. The sovereignty of the Philippines and the success of the Philippines as a sovereign Presidential republic is, to me, one of the necessary ingredients of a future for the whole Pacific area of the world."

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