

Bankers, Bush Put Squeeze on Philippines

by Mike Billington

The long-simmering crisis in the Philippines reached the boiling point, both economically and strategically, in the opening weeks of 2005. A wide variety of Western institutions, including the leading financial rating agencies, the U.S. State Department, and the Asian Development Bank (ADB), released reports highly critical of Philippine policies, warning of a debt collapse in the near term, and demanding ever more vicious austerity measures to meet foreign debt payments. Meanwhile, a “strategy of tension” has been unleashed, with a highly suspicious outbreak of intense warfare between the Philippine Army and a faction of Muslim separatists in the southern province of Mindanao—with U.S. troops and military intelligence officers illegally deploying into the war zone. This was followed by a series of terrorist bombings in both Mindanao and in the Makati business center of the capital city of Manila, on Feb. 14.

None of these developments can be seen in isolation, neither from each other, nor from the unfolding collapse of the U.S.-dollar-based world financial system. The colonial-style economic demands on the Philippine government from the international financial institutions, and the foreign military and intelligence involvement in the “strategy of tension,” represent part of the end-game scenario coming from the psychotic Bush Administration in Washington, which is willing to sacrifice even its most obedient allies to sustain its collapsing vision of world empire. The unrelenting attack from the financial institutions indicates that the financial oligarchs are prepared to give the “Argentina treatment” to the Philippines. Two leading rating agencies (better known as economic hit-squads), Standard and Poor’s (S&P) and Moody’s, downgraded the Philippine sovereign credit rating in the past month, complaining about the government’s failure to get Congressional approval for all of the new tax and price increases demanded by the IMF, and the slow pace in privatizing the electricity industry. The downgrades leave the country four notches below investment grade, which will further drive up the cost of borrowing on the international markets, for a nation which is forced to borrow more than any Asian government other than Japan.

All the borrowing, of course, will go to debt payment, not to economic development. This year alone the Philippines expects to borrow \$4 billion, while an astounding nearly 90%

of projected government revenues for the coming year will be allocated to debt service, according to a study by economists from Manila’s Ateneo University. The Ateneo study also warned that the Philippines debt structure is in worse condition than that of Argentina at the time of the Argentine default.

An Asian Development Bank report issued in February stated bluntly that “The huge public debt in the Philippines has raised serious and growing concerns about the ability of the Philippine government to manage its debt obligations and the long-run sustainability of government fiscal policy.” The ADB’s message is that the debt is sacrosanct, and that deadly austerity is required to satisfy the foreign creditors.

The State Department annual report for 2005 joined in the Philippine-bashing, citing the slow pace of energy sector privatization, delays in passing new taxes and price hikes, and poor infrastructure (without mentioning that the government has no resources for infrastructure, after the debt is dutifully paid) as reasons for the country’s inability to attract investors.

Bloody Diversion?

It is within this economic reality that the “strategy of tension” re-emerged in early February in the Sulu Archipelago, near Mindanao in the southern Philippines, and has served to both divert attention from the economic crisis, and to justify new U.S. military incursions in the region. The Philippine Army reports that, in the process of ongoing joint U.S./Philippine operations in Sulu against the kidnapping and terror gang, Abu Sayyaf, the Army accidentally hit civilian areas occupied by the Moro National Liberation Front (MNLF). The MNLF is a separatist organization which made peace with the government in the 1990s, and as a result became the official regional government in parts of Mindanao, but then fell into violent confrontation with the government again in 2001. MNLF leader Nur Misuari has been in prison since that time.

The MNLF refutes the Army story, claiming civilians were intentionally murdered by the Army, provoking an armed counter-attack by the MNLF on Feb. 7. The fighting quickly escalated, with Philippine air and ground forces, with U.S. “advisors” and “trainers,” mounting large-scale attacks, resulting in dozens of deaths and thousands of displaced civilians. When U.S. Ambassador Francis Ricciardone admitted that 70 American military intelligence officers had also landed in the battle zone, outcry arose in the Philippines Congress, since the Constitution strictly forbids foreign soldiers’ participation in combat on Philippine territory. The American excuse that the U.S. military intelligence agents are only “observers” has only aggravated the situation.

This crisis comes in the aftermath of the January leaks in the *New Yorker* and the *Washington Post*, which revealed that the Pentagon has deployed covert hunter-killer teams into various countries under the guise of the war on terrorism, with the Philippines prominently named in the *Post* as one of the



U.S. Ambassador Francis Ricciardone, shown here shaking hands with Philippine President Gloria Macapagal-Arroyo, announced during fighting in February, that 70 military intelligence officers had landed in the Sulu war zone—a direct breach of the Philippines Constitution. This photo, taken at Villamor Air Base, also shows Philippine Defense Secretary Avelino Cruz (left), and U.S. Brig. Gen. Kenneth Glueck (right).

target countries. Opposition leader Sen. Aquilino Pimentel has called for a special investigation into the presence, even before the Sulu events, of U.S. spies.

The three, simultaneous Feb. 14 bombings further escalated the crisis, killing ten and injuring a total of 136, between Manila and Mindanao. The Abu Sayyaf took credit for the bombings, but some knowledgeable sources doubt it, including Father Eliseo Mercado. Father Mercado was president of Notre Dame University in Cotabato City, Mindanao, Philippines, from 1992-2002 and served as the chairman of the Independent Cease-Fire Monitoring Committee of the Philippine Government and the Moro Islamic Liberation Front.

Father Mercado spoke to *EIR* from Rome, where he now serves in the Vatican's *Justitia et Pax*: "I believe that the government is in deep crisis—it is very unpopular, that's one thing, and it needs a diversion from the crisis. The government also believes that it needs the United States, and the only way to bring them in, is under the anti-terrorist cover, and therefore they would like to tag the two groups (the Abu Sayyaf and the MNLF) as the terrorists responsible for the bombings. My view is, I do not believe that the Abu Sayyaf, nor the Nur Misuari group, have the capacity to do that—simultaneous bombings in Makati and in Davao and General Santos City (in Mindanao). First, the Abu Sayyaf leadership has been decimated by the military. Secondly, the Nur Misuari group is confined in Sulu, and wouldn't be able to do that kind of operation."

On the fighting in Mindanao, Father Mercado said that "This is a no-exit war—they could try to kill them all, but it won't be ended that way. It has gone on for 30 years, and can only be solved through a cease-fire and negotiations. The problem is that certain military leaders, those tied to the cur-

rent U.S. regime, do not want peace. I believe this is part and parcel of a scenario—I personally believe—which is more political than anything else, to satisfy the need for diverting from the economic crisis and justifying bringing the Americans in."

Diverse Intentions

The Philippine government appears to be torn between two opposing strategic policies. While President Arroyo has attempted to implement every economic policy demanded by Washington (although there is significant resistance from nationalist forces in the Congress), and has approved U.S. military operations which clearly subvert the intention of the Constitution, she has at the same time taken steps in foreign policy which fly in the face of Washington priorities. Beside pulling Philippine troops out of Iraq last year, Arroyo has strengthened economic and military ties with China, and recently hosted Myanmar Prime Minister Soe Win for an official visit to Manila—the same Myanmar denigrated as an "outpost of tyranny" by Secretary of State Condoleezza Rice just last month.

These foreign policy measures have earned President Arroyo the honor of being targetted for possible "regime change" by the leading neo-conservative think-tank in Washington, the Heritage Foundation, which issued a diatribe last October against Arroyo, treating her as an ingrate for failing to comply with Washington's demands. The current economic warfare against the nation, and the U.S. military involvement in the new "strategy of tension," should serve as a warning to Philippine leaders that, besides the independent foreign policy, a truly sovereign domestic policy is urgently required as well.