

# Foreign Hands Behind Philippine Collapse

by Mike Billington

Philippine President Gloria Macapagal Arroyo may soon be out of office, but the crisis ripping apart the economic and social fabric of Philippine society will not be solved simply by “regime change.” The crisis in the Philippines is occurring in the context of the systemic collapse of the dollar-based global monetary-financial system, and in the midst of a political showdown in Washington between the rapidly unravelling Bush/Cheney regime and an emerging bipartisan alliance, centered in the U.S. Senate, attempting to return the United States to the “American-system” policies associated with Franklin D. Roosevelt, and promoted today by Democrat Lyndon LaRouche. Unless the Philippine leadership and citizenry confront those realities—the fact that their nation has been deprived of economic sovereignty since the U.S.-directed coup against President Ferdinand Marcos in 1986, and that still today the political factions are manipulated, and in some cases entirely controlled, by Washington—then that nation will not survive the current breakdown crisis. Indeed, most leading forces in the Philippines today are openly promoting policies which will bring about the nation’s collapse.

Today, both the Arroyo Administration and a faction of “rebel” Cabinet members who have resigned and demanded Arroyo’s resignation in favor of her Vice President, Noli de Castro, are being “played” by financial and political operatives in Washington and New York. Those U.S.-based forces are not only willing, but anxious, to see the demise of the Philippines as a sovereign unified state, which they believe will serve their geopolitical designs in Asia.

The Arroyo Administration is now under the effective control of former President Gen. Fidel Ramos, an agent-of-influence of the same George Shultz, and his neo-conservative faction in Washington, which used Ramos to carry out both the 1986 coup against Marcos, and the “copy-cat” coup against President Joseph Estrada in 2001, which placed President Arroyo in power. While both of these events were portrayed as “people’s power” democratic revolutions, the fact is that both were colonial operations run by Washington, in the interest of the International Monetary Fund (IMF) and other international financial institutions, which have driven the Philippines into virtual economic slavery and destitution.

However, the supposedly opposing faction of resigned Cabinet members, led by former Finance Secretary Cesar Purisima and former Trade and Industry Secretary Juan Santos, represent no change from the current economic poli-

cies. In fact, the Purisima group members were the primary spokesmen within the Arroyo Cabinet for the IMF austerity policies which are wrecking the nation. Even worse, both sides are committed to dumping the Presidential system of government, modelled on the American system, in order to do away with the “checks and balances” which have allowed the Congress to exercise at least some restraint on the IMF policies demanded by the Executive Branch. This partially successful resistance within the Philippine Congress has proven to be most troublesome to the financial oligarchy, both in Manila and internationally.

Other opposition forces exist which have rejected this contrived conflict between President Arroyo and her former Finance Minister, and have presented at least the outlines of a defense of the general welfare against the ravages of the global financial collapse. Sen. Aquilino “Nene” Pimentel, the head of the opposition in the Philippine Senate, called upon the Congress of the Philippines to join with the Italian Chamber of Deputies, in calling for an international conference of sovereign nations, to discuss and adopt a New Bretton Woods<sup>1</sup> monetary system, a fixed exchange rate system to replace the decrepit IMF-based floating exchange rate system. The Italian initiative was carried out in cooperation with American statesman and *EIR* founder Lyndon LaRouche.

Senator Pimentel, in his May 26 speech, said: “As a lawmaker, I share the views of the Italian parliamentarians to protect the welfare of our respective constituencies. I therefore suggest that our Congress can do no less but support the call for the establishment of a new Bretton Woods monetary system to protect and ensure the security of the financial dealings and other economic activities of peoples worldwide. I find the proposal of the Italian lawmakers reasonable in that ‘given the internationalization of financial markets, one nation by itself, or even Europe alone, is not able to guarantee the control and application of stronger rules in a decisive manner.’ ”

Also, in a crucial demonstration of the use of the “checks and balances” of the Presidential system, Senator Pimentel, together with the minority leader of the House of Representatives, Rep. Francis Escudero, challenged a particularly regressive and destructive tax bill, the “Extended Value Added Tax,” or E-VAT, taking it to the Supreme Court, where they succeeded in stopping its implementation, at least temporarily. The E-VAT was rammed through the Congress earlier this year by President Arroyo (with the recently defected Finance Secretary Purisima leading the charge), as one of many austerity bills demanded by the IMF and its “rating agencies,” Moody’s, Fitch, and S&P. It and was intended to help meet huge foreign debt payments by extracting more funds from

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1. The proposal, as introduced to the Italian Chamber of Deputies, called for a new monetary system based on the 1945 Bretton Woods agreement. The resolution that was passed called more generally for an international conference of heads of state or governments, to discuss establishing a new monetary system—ed.

an already impoverished population (the poverty and malnourishment levels in the Philippines were recently appraised by UNICEF as worse than those in North Korea). The E-VAT will lift several exceptions to the existing 10% VAT, including those on fuel, electricity, and transport fares. The *Wall Street Journal* bared its fangs in praising the Philippine E-VAT on July 5: "Given the widespread tax evasion here, the imposition of the wider VAT, though its effects fall more heavily on poorer Filipinos, represents the most effective way of increasing revenue."

In addition, the E-VAT granted to President Arroyo the right to raise the VAT to 12% next year, and to raise business taxes. This was not only an attack on the general welfare at the behest of foreign banks, but it was also directly contrary to the Constitution, which grants the power to levy taxes explicitly to the Congress. At the challenge of Pimentel and Escudero, the Supreme Court granted a temporary restraining order on the bill, on July 1, the day the law was to be implemented. This is precisely the kind of "nuisance" which the oligarchy wishes to avoid by dumping the Constitution and the Presidential system.

### The Real Conflict

The crisis of the Arroyo Administration began long before she took office in January 2001. The "people's power" revolt of 1986, which replaced nationalist leader Ferdinand Marcos, also ended his ambitious scientific and industrial development programs, turning the economy over to the IMF, first under President Cory Aquino, and later under General Ramos himself, who became President in 1992. Under Aquino, the fully completed nuclear power plant built by Marcos, the only nuclear facility in Southeast Asia, was shut down (but was paid for nonetheless!), while development policies were sacrificed to IMF debt payment and austerity. When Ramos took over directly in 1992, he sold the nation to Western investors through wildly corrupted "Enron-style" contracts with foreign power producers. Long before the 1997-98 speculative assault on the Asian currencies and economies, the Philippines had become the weakling of Southeast Asia.

The 1998 election, however, overturned the Ramos legacy, electing populist Joseph Estrada. Although Estrada failed to adopt policies to free the country of the neo-colonial looting under "globalization," his relative independence of the financial oligarchy was not to be accepted, and Ramos, again serving his Washington sponsors, orchestrated yet another "people's power" scam, through a blatantly unconstitutional coup against Estrada, handing the Presidency to his Vice President, Gloria Macapagal Arroyo, to carry out IMF dictates. Her first act, in keeping up with Aquino's closure of the nuclear power plant, was to privatize the National Power Company on behalf of the "Enrons" of the world.

Even Arroyo recently acknowledged that the 2001 coup, unlike the 1986 coup against Marcos, was only barely "tolerated" by the population, or even by the "international community." When she ran for re-election in 2004, Arroyo was



OPS-NIB photo/Michael Rey Baniquet

*President Gloria Macapagal-Aroyo with former President Fidel Ramos (right). Ramos is the leading Philippine agent of influence in the U.S. neo-conservative attack on the Philippines, trying to replace the American-style Presidential system with a parliamentary system.*

widely expected to lose, but apparently defeated a divided opposition. However, accusations of vote fraud and political obstruction of a recount, were rife, both in the Congress and in the press.

This issue exploded in early June, when a set of tape recordings was leaked by elements of military intelligence and the National Bureau of Investigation, which contained numerous wiretapped conversations between both the President and her husband with a director of the Commission on Elections during the contested counting process of the 2004 election, in which they appeared to be engaged in a plot to fix the election results. While the President eventually admitted to the calls, and apologized to the nation for her "lapse of judgment," she denied trying to fix the vote. This excuse has found few takers; even Archbishop Gaudencio Rosales responded that "Genuine forgiveness demands more than an apology, and those who seek forgiveness should be ready to be called to accountability."

Senator Pimentel called for the resignation of both the President and her Vice President, Noli de Castro, and the holding of new elections, to clear the air of the tainted elections of 2004. Other forces associated with deposed President Estrada and with Fernando Poe, Jr., the candidate defeated in the 2004 election, have mobilized demonstrations demanding the President's resignation. A bill of impeachment has been entered in the Congress. Although an impeachment process would have to overcome a majority in the Congress that is loyal to the President, that majority is dwindling, as leading Senators and Representatives in the majority coalition have withdrawn their support from the President.

It was in this environment that Finance Secretary Purisima, who is himself primarily responsible for the government's financial subservience to the IMF, resigned, together with nine other Cabinet members. They called for the Presi-

dent to step down in favor of Vice President de Castro, and thus are *not calling for new elections*. De Castro, a popular TV personality with almost no political experience, is expected by this group to be a “team player,” meaning they expect him to do as he is told.

To understand the game being played by Purisima, it is necessary to know that he is the current representative of the political faction in the Philippines run by U.S. insurance giant AIG’s former CEO Maurice “Hank” Greenberg, through Greenberg’s ally Washington Sycip, who founded the largest accounting firm in the Philippines, SGV, and who has placed his people in key government and banking positions for the past several decades. Sycip is on the board of AIG and is Greenberg’s advisor on Asian affairs, and his SGV was also affiliated with Arthur Anderson, until that firm’s demise in the wake of the Enron scandal (SGV has now joined the network of Ernst and Young).

Sycip was involved in many of the corrupt contracts signed between President Ramos in the 1990s with the “economic hitmen” from the West, contracts which have rendered the nation bankrupt. Greenberg, whose AIG is itself a major power in the Philippines, played the leading “supporting role” to George Shultz and Henry Kissinger in the overthrow of Marcos in 1986. Purisima was SGV Chairman and Managing Partner before becoming Finance Secretary in Arroyo’s Cabinet, and appears to believe that he can play a similar role to that of former Sycip men—as a foreign comprador. Perhaps he has not noticed that patron Hank Greenberg has been stripped of his power at AIG and may soon be indicted for his financial crimes.

After Secretary Purisima’s defection, the Makati Business Club, the voice of the Philippine financial oligarchy which had coordinated every step with Ramos in the previous coups, supported Purisima’s call for Arroyo to step down, and even Cory Aquino withdrew support from her friend Gloria. The end seemed certain.

## Ramos Takes Over

However, Fidel Ramos has carefully orchestrated the situation to achieve something he has been attempting to implement since his Presidency in the 1990s: a change in the Constitution to eliminate the Presidential system. It should be no surprise that an agent of the America neo-cons is carrying out an attack on the American system of government.

Ramos came to President Arroyo’s defense—with conditions. Holding a press conference in the Presidential Palace, Ramos made a “modest proposal,” that Arroyo fire her Cabinet and declare herself the head of a new government, with a “high commission” to run things until a Constitutional Convention could be held later in the year, adopting a Parliamentary system in place of the Presidential system. Arroyo did precisely that, and discussions are now under way among her remaining Cabinet members and Ramos’s cohorts, to attempt to force through this destruction of the Constitution.

Thus, the two “sides” in the contrived showdown, Ramos

and Purisima, are both assets of the global financial institutions, and are committed to the same policies—IMF austerity, and dictatorship under a Parliamentary system without interference from Congress.

The American role in this subversion is not hidden. The U.S. Chargé d’Affaires in Manila, Joseph Mussomeli, who earlier threatened Philippine sovereignty by describing Mindanao, the southern province of the Philippines, as the “next Afghanistan,” went on national Philippine television to assert U.S. intentions in the crisis situation. Asked if he supported President Arroyo, he would say only that “we support the rule of law.” Since it is well known that the United States had sponsored the two previous coups against the Philippine Constitution, while labelling them as being within the “rule of law,” his statement was not ambiguous. When asked if he agreed with those who called the ten Cabinet members, who had resigned, traitors, Mussomeli defended Purisima and his associates as “patriots.” LaRouche, briefed on Mussomeli’s intervention, described it as “far out of line,” and as “John Bolton-style diplomacy.” He added, however, that he was not surprised, given that Mussomeli “worked for an Administration headed by a psychopath and a sociopath.”

## Defending the Presidential System

President Arroyo and her Svengali, Fidel Ramos, make no effort to hide their intentions in regard to their call for ending the Presidential system. Last year, Arroyo explained her reasoning: “The problem of the Presidential form is that 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.” Which is to say that eliminating the separation of powers, provides the majority party a virtual dictatorship.

This is particularly disturbing when considered in light of developments in Washington. Vice President Cheney’s attempted coup earlier this year, against the Constitutional concept of “separation of powers” and “checks and balances,” was averted only when a united Democratic minority in the U.S. Senate was joined by a crucial group of Republican Senators on May 23, rejecting Cheney’s effort to eliminate the filibuster—the crucial element providing the minority in the Senate the right to block measures deemed tyrannical, either from the Executive or from a majority of Senators. This historic bipartisan defeat of Cheney’s intended dictatorship should be seen worldwide as the crucial proof of the superiority of the American Presidential system. As several Senators stated during that debate, it was precisely the lack of this special “right of the minority” in the Parliamentary system in Europe which had allowed the emergence of dictatorships under the fascists in Italy and the Nazis in Germany, despite fierce opposition from a minority which recognized the danger.

In addition to the question of “checks and balances,” there

## LaRouche: Philippines Was Robbed of Development

*On June 10, Lyndon LaRouche was interviewed by Butch Valdes, the head of the Philippines LaRouche Society and the Katipunan ng Demokratikong Pilipino (League of Filipino Democrats), on Manila radio station DZRL. Valdes asked LaRouche about the lack of Filipino leadership since the fall of President Ferdinand Marcos in 1986. This was LaRouche's reply:*

Well, this was deliberate. It was a deliberate chopping down. You had people who came out of the wartime and the post-war period, shall we say, the MacArthur experience, where there was a certain promise implicitly by Gen. Douglas MacArthur, about freedom for the Philippines—an experience, which of course, reflected also his own father's role in the Philippines.

So, the idea that—here's a people, which had a certain potential, a certain historical development, which should be treated in a sense, as a protected nation—not ruled by the United States, but protected by it, so it could get on its own feet, and rule itself. And up through the early 1980s, of course, we had significant progress, which became more and more difficult during the 1970s.

And then you had the U.S.-dictated overthrow of the government [in 1986], and things of that sort. And chaos set in. And we had a situation, such as dealing with the so-called minorities question in the Philippines, where, as you may recall, Butch, we were—and you can explain to others there better than I could, exactly what kind of discussions we had with people in Mindanao and so forth, of trying to solve some of the conflicts which outsiders were trying to stir up, within the Philippines.

So, these things were absolutely done to destroy the Philippines.

And why? Well, first of all, what the Philippines represented was, in a sense, a European culture in Asia, which was European in most leading respects. It had its own character as well, from the people who had been there before the Spanish came in. So, this was considered a nuisance to those who had a *globalization* intention. For example, the Philippines, with the U.S. bases, which were not always the nicest thing for the Philippines to have—morally or otherwise—but the air base and the naval base, especially the naval base, represented a certain kind of *machine-tool capability*, a potentiality, in the Philippines, which was essential for building a modern nation. With large-scale infrastructure development of the type which Marcos was associated with, this could have happened. It would have been a longer process, maybe a generation or two, but there was a genuine prospect at that time, of an actual development of the Philippines, a continuing development, as a nation, which would play an important part in its relationship to the nations of Asia, and something which the United States would be proud to have as a friend.

That changed. And Marcos was dumped out, as we know; dumped out on orders from Washington, by certain interests. That, in a sense, broke the already fragile capability of progress in the Philippines at that time.

I think it's important that people know that in the Philippines, and emphasize that; younger people in particular, because it's important not to be ashamed of your country. You may be ashamed of some of the things that go on. But don't be ashamed of the country as such. The country is not a failure. *The country's chance of development was curtailed and taken away from it.*

And therefore, you have to look at the country, as one which *still has*, a people that *has* that potential. And that to me, is the main concern. The Philippines still does have a potential role in Asia, that being its special character, which is a different character than other countries in Asia, but it's a contribution to the cultural development of Asia as a whole. That's what I think we would want to concentrate on.

is another crucial target of the financial oligarchy in demanding a Constitutional Convention in the Philippines. The current Constitution imposes limitations on foreign ownership of certain Philippine industries. Although these restrictions have been watered down, and virtually ignored in some cases, they provide a basis for the defense of the national patrimony and sovereignty. The international spokesmen for “globalization,” the currently popular term for colonialism, insist that these Philippine Constitutional restrictions are old-fashioned relics of protectionism that have no place in the era of globalization. President Arroyo alluded to her agreement with this colonial demand in a July 7 address to the nation, when she

called for “modernizing the economic provisions of our Constitution.”

With the onrushing explosions of the global hedge fund and real estate bubbles, both developed and developing nations are being confronted with issues of survival, because of their dependence on the international financial institutions. But they are also presented with the opportunity to assert their voices in the effort to return sanity to the brotherhood of nations. Those in the Philippines who recognize that reality must lift the vision of the troubled citizenry from the parochial and localized problems to that broader goal. Solutions to the current crisis depend on that effort.