

Will the Philippines Follow Argentina In Facing Down the IMF?

by Michael Billington

EIR reported in February that the premier British colonial banking institution, Standard and Chartered, threatened the Philippines with the “Argentine treatment” if it failed to accept the full conditionalities demanded by the international financial institutions (“London Bank: Philippines Is the Next Argentina” *EIR*, Feb. 27). We referred to the showdown then raging between the International Monetary Fund (IMF) and the Argentine government of Néstor Kirchner, with the IMF threatening to cut Argentina off from all international credit if it failed to pay its debts as demanded, at the expense of the very life of its citizens.

Since that time, President Kirchner called the bluff of the actually bankrupt international financial system—and the IMF blinked, rolling over the debt, and dropping the demanded conditionalities. The support for Argentina from Presidential candidate Lyndon LaRouche’s movement internationally—both its crucial intelligence on the bankruptcy of the IMF system itself, and the role of the LaRouche Youth Movement in mobilizing support for Argentina in nations across Europe, the Americas and Asia—helped to turn the attack on an apparently isolated Argentina into an international mobilization against the neo-colonial destruction of sovereign nations.

The IMF and its sponsors in Washington and London do not wish to face a similar confrontation in Asia. The Philippines is, unfortunately, rapidly descending into the same kind of financial-economic crisis and related political instability which brought the once-rapidly developing nation of Argentina into poverty and decay. At the end of March, the IMF released a report on the Philippines, demanding that its government “pursue a more ambitious reduction in the deficit than that contemplated in the draft budget, . . . raise the value-added tax rate, as well as excise taxes on cigarettes, alcohol, and petroleum products,” raise electricity rates, and other similar austerity measures.

National Debt Rising 20% a Year

The Philippine economy is staggering, due to the past 20 years of IMF “remedies,” dutifully imposed by governments placed in power by U.S.-sponsored military coups d’état, provided with a “people’s power” cover story for popular consumption at home and abroad. Today, 4 million Filipinos, about one in 20, are homeless, with squatters filling every

possible space along train tracks, sewers, and gullies. The physical economy is barely sustained by the agricultural sector, while the financial system survives on the remittances sent in by the 25% of the workforce who have fled overseas, sending payments back home to sustain their families.

On the monetary side, the nation is on the brink of bankruptcy. With \$56 billion in foreign debt and \$68 billion in domestic public debt, over one-third of the national budget must go to debt service. In 2003 alone, the national debt rose by 20%. While the debt continues rising, the capacity to pay that debt, even by borrowing, is rapidly evaporating.

At the end of March, the government failed to sell even a portion of its government bond offer. In the case of one-year notes, the yield demanded was 20% higher than the government’s maximum offer. Even the desperate attempt to sell 42-day (!) notes was withdrawn for lack of offers. In the previous month’s offer, the cost to the government rose 200 basis points (from 9% to 11%), but even at that rate the government was able to find buyers for less than 10% of the total required. The government then announced that they are considering asking the Asian Development Bank (ADB) to activate an existing bilateral swap arrangement, to access \$200 million.

There is some legitimacy for this desperate request—the swap arrangements set up across the region following the 1997-98 Asian financial crisis were intended as a defense against currency speculation, and the peso certainly has been under attack. While most Asian currencies are moving dramatically up against the collapsing dollar, the peso has lost 3% against the dollar in the past year, reaching a record low of 56.4 in April. Against the Japanese yen, the peso has lost a whopping 18% in the past year. Looking back before the 1997-98 speculative assault on all Asian currencies, the peso has lost more than half of its value of 1996. This means that an exported good to the dollar zone now brings less than half the previous return, while shipping the workforce abroad brings twice the financial return, but drains the nation of the desperately needed doctors, nurses, teachers, and other professionals.

For 2003 alone, the government must meet \$3.9 billion in debt service, in addition to the \$2.4 billion required by the state-owned National Power Corporation (NAPOCOR). The government is in the process of privatizing NAPOCOR (this



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was the first act of President Gloria Macapagal-Arroyo in January 2001, after being placed in office by those who had conducted the coup against her predecessor, Joseph Estrada), and therefore is desperate to keep it solvent. However, the IMF is also demanding that *no new borrowing* be undertaken by NAPOCOR, but rather that the electricity rates be drastically increased, forcing the debt payment onto the population and what’s left of the productive sector.

The severely factionalized Congress has not gone along with all the demands of the IMF, including the utility rates, and has maintained some mild forms of protective tariffs. For the IMF, such democratic resistance to self-cannibalization is unacceptable. Besides demanding rate hikes, the IMF report demanded that the Philippines must “reverse the tide of protectionist pressure,” calling the tariffs a “poor substitute for critical structural reforms.”

Will the Philippines Fight?

The Philippines is now in full campaign mode for the Presidential and Congressional elections scheduled for May 10. President Macapagal-Arroyo is running, attempting to get a legitimate mandate for the office she was given in the January 2001 military coup. Under Arroyo, the Philippines has invited U.S. troops into the country to “fight terrorism,” claiming an exception to the Constitutional restrictions against foreign troops on Philippine soil by portraying the Americans as on-site “trainers” in the continuing war in the southern region. Arroyo has also fully backed the criminal



Appointed President Gloria Macapagal Arroyo, caught in alliance with the American war party, the IMF, and coup-maker Gen. Fidel Ramos simultaneously, may be entertaining ideas of avoiding holding the May 10 national elections.

and fraudulent war on Iraq, even sending troops to Iraq as part of Dick Cheney’s “coalition of the willing.” As a reward, the Philippines was named a “non-NATO ally,” although the benefits of this dubious title are less than obvious. Arroyo is counting on continued backing from her neo-conservative allies in the Bush Administration and the U.S. Congress, and is therefore unlikely to take any measures to resist the self-destruction demanded by the international financial institutions. As the President, she is generally held responsible for the economic disaster, and is expected to lose the election, although the polls report a close race between her and her main opponent, Fernando Poe, Jr.

The opposition parties are essentially leaderless. Poe, called FPJ, or “Da King,” is a popular action-hero of the Philippine movie industry, with little education and no political experience. (Still, he has more potential than “Da Nut” currently in the White House.) Poe was chosen purely for reasons of popularity—as Arnie Schwarzenegger was chosen Governor of California to sway the mindless. In the case of Schwarzenegger, the controllers were synarchist bankers, intent on looting California further, as he is indeed proceeding to do.

Poe is certainly not a Schwarzenegger—a “beast-man” to enforce brutal austerity—but what he *is*, is far from clear. He is surrounded by advisors of every stripe, and has put out only broad generalities for his official program. He is a friend of deposed President Joseph Estrada, who was himself a movie star elected by an overwhelming majority in the 1998 election, responding more to the poor than to the financial oligarchy—which is why he was deposed. IMF circles and their representatives in Manila are not pleased by the very serious chance that Poe will win. There is, in fact, a good chance that the



and 1940s in Italy, Germany, Spain, and Vichy France re-emerged with a series of bombings on trains and public buildings. European law enforcement succeeded in breaking these Nazi networks at the time, eventually exposing their intent to blame the “left” for the terror, as a means of imposing authoritarian or military regimes under synarchist control.

Following the March 11 Madrid bombing, President Arroyo announced that the Philippines were also a likely target, due to Manila’s submission to U.S. pre-emptive military operations. Then on March 22, she announced the formation of a “High-Level Inter-Agency Task Force Against Terrorism,” made up of officials from the government and outside advisors, including master coup-plotter Gen. Fidel Ramos, a former President who had orchestrated the 1986 coup against Ferdinand Marcos, and the 2001 coup against Joseph Estrada, with Washington’s backing.

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election will be cancelled, of which more below.

Two statements released by the Poe campaign gave substance to the fears of those on Wall Street and their Philippine assets. On March 9, Poe said that if elected, he would “look into the possibility of restructuring our sovereign debt in the domestic and international markets.” The Arroyo Administration jumped on this statement, as did the international press, and even blamed Poe for the inability of the government to sell its bonds. Of course, restructuring can mean many things, and even the Government was forced to claim that it, too, was interested in stretching out debt payments as long as possible. But Poe had opened the bag, and the more urgent matter of writing off portions of the illegitimate debt is now on the table.

Poe also struck out at “globalization,” saying he intended to “re-orient the government’s policy on globalization to focus on pushing for expanded markets for our products and protecting vulnerable sectors from unfair competition.” The IMF was not pleased.

Then, on March 20, Poe’s spokesman Rep. Francis Escudero told the press that Poe intends to “review the country’s alliance with the United States” in regard to the Iraq war. He said that Poe might depart from “over-reliance on unilateral U.S. actions,” and rely more on “international partners, like ASEAN (the Association of Southeast Asian Nations) and the UN.”

Will There Be an Election?

As was reported in *EIR* on April 2, the Philippines may be caught up in a wave of right-wing terrorism, which has spread globally in the wake of the March 11 Madrid train bombing. The Madrid bombing marked the return of the 1969-1980 “strategy of tension,” when remnants of the synarchist networks from the fascist governments of the 1930s

Ramos was also prominently named in the “junta” proposed by his cohort Gen. Fortunato Abat. General Abat decided that elections and democratic procedures simply didn’t work in the Philippines, and recommended an emergency government to replace Arroyo immediately, cancelling the elections altogether. Gen. Abat is openly organizing his “No-EI” (for “No Election”) campaign, even on the military bases, without any move to arrest him. Although Ramos has officially distanced himself from his old partner in intrigue, very few believe he is not involved.

Only a week later, on March 30, less than six weeks before the scheduled election, President Arroyo took to the national airwaves to announce personally the arrest of four accused members of the Abu Sayyaf kidnapping gang, in Manila, with explosives. She said that the arrests had “prevented a Madrid-level attack in the metropolis.” Leading military and political figures have suggested openly, in the press, that the Ramos/Abat team may use the alleged terror threat to justify the cancellation or the postponement of the elections.

If political forces in the Philippines were to act in the manner of Argentina’s President Kirchner, identifying the illegal nature of the debt burden and refusing to kill the citizenry in order to meet the banker’s demands, they could unite the fractured nation, and, like Argentina, place the Philippines on the front lines of an international fight to stop the onrush of a new Dark Age under IMF-synarchist control. There is a small but determined core group of the LaRouche Youth Movement in Manila, capable of organizing for such a stand. As was shown in the case of Argentina, the LaRouche Youth Movement can and will effectively mobilize governments or populations worldwide to support such courageous leadership.