

# Looted by the Bankrupt IMF System, The Philippines Opens to LaRouche

by Michael Billington

A brief May 15-18 visit to the Philippines by *EIR* representative Michael Billington, the first Philippines visit by a U.S. representative of statesman and physical economist Lyndon LaRouche since 2001, met an open and enthusiastic response by the Philippine press and by leading layers of the political establishment. Almost 30 print, radio, and television media representatives packed a press conference on May 16, organized by the prominent journalist Julius Fortuna, and by Butch Valdes, the leader of the LaRouche Society of the Philippines, with considerable assistance from the Philippines LaRouche Youth Movement. The reporters participated in an intense, two-hour discussion with Billington on the collapsing U.S. economy, the crisis of Constitutional government in Washington, and the unfolding bankruptcy of the global financial-monetary system and what must be done about it. Billington underlined the urgency for the Philippines, and all developing nations, to implement emergency measures to defend their populations from the ongoing systemic global breakdown crisis.

Above all, Billington insisted to the press corps, as he did in several other radio and TV interviews during the visit, that although emergency measures by developing nations' governments, to defend their populations from the ravages of the bankrupt IMF-centered international financial institutions, were a matter of life and death, nonetheless, nothing short of a new world financial system, along the lines of the New Bretton Woods system proposed by LaRouche, could prevent the early onset of systemic collapse which will sweep all nations into economic collapse and global war. The now-public nuclear war plans against Iran and North Korea, released by U.S. Vice President Dick Cheney's neo-conservative fanatics at the Defense Department over the past weeks, underscore the urgency of that message.

The leading news service in the Philippines, ABS-CBN, released a report on the press conference titled: "U.S. Economist: Republic of Philippines should Pull Out of the IMF." It detailed Billington's warning that the Philippines was getting the "Argentina treatment," and that President Gloria Macapagal Arroyo must find the courage to act in the manner of Argentine President Néstor Kirchner, who refused to put payment of international debts ahead of the livelihood, and the very lives, of the nation's citizens. The news report quoted Billington's reference to Kirchner's statement, himself echo-

ing the LaRouche movement in Argentina, that the nation's survival proves that "There is life after the IMF." ABC-CBN also reviewed Billington's demonstration of what he called "Bankers' arithmetic," that most of the Third World debt was not legitimate debt obtained to invest in the physical development of the nation's productive powers, but was artificially created by forced currency devaluations, and the manipulation by international cartels of the prices of raw materials and commodities.

In an interview for ANC, the leading cable news station, reporter Carmina Constantino had researched LaRouche's history in dealing with these problems, and quoted from a 1999 *EIR* interview with Malaysia's former Prime Minister Dr. Mahathir Mohamad, who rejected IMF-orthodoxy and imposed currency controls in 1998 to stop the speculative looting of his nation. Her live 20-minute interview with Billington at prime time on May 18 was broadcast throughout the Philippines and across the U.S. on The Filipino Channel.

## LaRouche in the Philippines

The level of interest in LaRouche's ideas in the Philippines has exploded in recent years with the creation of the Philippines LaRouche Society (PLS) and a Philippines branch of the LaRouche Youth Movement (LYM). As the Philippine economy has slipped rapidly into bankruptcy since the U.S.-backed military coup of 2001, which placed President Arroyo in power, LaRouche's ideas have been heard and discussed on the Philippine airwaves every week, as several radio programs opened their lines to LaRouche and his associates from the United States. For the past year especially, a program hosted by PLS chief Antonio "Butch" Valdes, the former Undersecretary of Education, has hosted LaRouche spokesmen from the United States, Europe, and Australia four times a week, out of a total of six shows per week, with all six dedicated to current and past world history from the perspective of the method developed by LaRouche. The political and diplomatic role of Valdes, who is widely recognized as a spokesman for LaRouche's ideas, and the emergence of the LaRouche Youth on campuses and in politics in Manila, has created a pole around which political leaders seeking solutions to the crisis have increasingly turned.

As Valdes pointed out during several private meetings with political, military, and business leaders that he had ar-



*Michael Billington met an open and enthusiastic response during his visit to the Philippines. Here he is giving a two-hour-long press conference on May 16 in Manila, which was attended by nearly 30 journalists.*

ranged during Billington's visit, he first heard of LaRouche in 1984, when he was handed a copy of *EIR* with a cover story titled "The Philippines: Henry Kissinger's next Iran." This was soon after the Anglo-American-orchestrated overthrow of the Shah of Iran, which placed Islamic fundamentalists in power, and two years before Henry Kissinger and his cohort George Shultz orchestrated a similar coup against Philippine President Ferdinand Marcos. Marcos had done much to develop the physical economy of the Philippines during his years as President, and maintained a "non-aligned" position of diplomatic and economic relations with the United States, as well as with the Soviet and Chinese regimes—much to the displeasure of the oligarchical forces in Washington and at the IMF.

Valdes noted that he had opposed Marcos at the time, in part because of the Martial Law imposed by Marcos between 1972 and 1981, but the shocking *EIR* exposé of the Shultz/Kissinger subversion, whereby Acting Chief of Staff Fidel Ramos was recruited to serve as a Washington front-man for "regime change" against Marcos, led him to establish contact with LaRouche representatives, and investigate the matter for himself. When the threatened U.S.-directed coup was, in fact, carried out under the cover of a "people's power" mob in the streets of Manila, Valdes set out to master LaRouche's method of economic forecasting and historical analysis.

LaRouche has maintained his intense personal interest in the Philippines over the years, regularly speaking on radio broadcasts to the nation on the crucial historical role of the Philippines as embodying both Asian and European cultures, as a geographic and cultural crossroad linking East and West. LaRouche argues that both the positive and the negative implications of the occupations by Spain, and then the United States, especially under Gen. Douglas MacArthur, together with the historic tradition identified with Philippine national

hero José Rizal, provide the Philippines with an historic mission both nationally and internationally. He emphasizes that the greatest problem in the nation has been a lack of nationalist leadership since the U.S. overthrow of Marcos in 1986, leaving the nation essentially without national sovereignty, under the dictatorship of the international financial institutional structure.

### **Economic Disaster**

When Billington arrived in Manila on May 15, two stories dominated the press and the airwaves: UNICEF had reported that malnutrition in the country was worse than in North Korea, while Moody's Investor Service reported that the Philip-

pine debt crisis was now worse than that of Argentina in 2001, the year of their sovereign default.

The UNICEF East Asia regional director, Anupamao Rao Singh, told a Philippine audience that child malnutrition in much of the southern section of the Philippines was 56%, compared with North Korea's 47%, and East Timor's 53%. The overall rate of malnourished to well-nourished, country wide, is 4:1, compared to North Korea's 2:1, Singh said. The response of a government spokesman was to meekly argue that overall nutrition in the Philippines is better than in North Korea—hardly an enviable comparison. The report confirms accusations by several opposition leaders over the past year, of hunger spreading rapidly across the nation.

As to the "worse than Argentina" claim, Moody's senior sovereign analyst Thomas Byrne said that the Philippine debt was more than five times greater than its revenue, double that of Argentina in 2001, and that "all the key fiscal ratios that we look at" are worse than Argentina at that time. To this ugly reality, the Arroyo Government argued that the Philippines was totally different, because there was a steady flow of "remittances"—dollars sent back into the country by the more than 8 million Filipino workers driven overseas, without their families, to find employment. It has been reported that another one million will be forced to flee in search of a job this year alone.

Although most of these are construction workers, cooks, maids, and other unskilled or semi-skilled labor, the most infamous case is that of the fleeing doctors and nurses, leaving behind a nation in desperate need of their skills, but unable to provide a living wage. Not only do the excellent Philippine nursing schools churn out nurses who rush overseas as fast as they can, but an estimated 2,000 doctors also leave the country each year, most to find work, despite their education, as nurses in the United States and elsewhere, where they earn 16 times



Butch Valdes (left), the leader of the LaRouche Society of the Philippines, with Billington and members of the Philippines LaRouche Youth Movement. They are organizing an alternative to the economic crisis—a crisis which has resulted in worse malnutrition in the Philippines than in North Korea.

the pay of certified doctors at government hospitals in the Philippines.

The cab driver that carried Billington to the airport after his visit explained that he had earned a five-year engineering degree, but could only find work as a cab driver despite the desperate need for his engineering skills in rebuilding the nation. He intended to join the overseas workers' ranks in order to feed his wife and child. More than 6,000 Filipinos work in the U.S. military bases in Iraq, mostly as truck drivers and cooks. Several have lost their lives or been kidnapped by insurgents, as their reward.

## The Debt Crisis

Table 1 shows how "Bankers' Arithmetic" has looted the Philippines, especially since the so-called "Asian currency crisis" of 1997-98, when global speculators undermined the currency values of nations across Asia. Since that time, there have been essentially zero Western financial flows into the Philippines, except to refinance debt, at ever higher interest rates. Thus, as shown, the Philippines owed \$46 billion in 1998, paid almost \$49 billion in debt service between 1998 and 2004, and yet, despite no net real foreign investment, ended up owing nearly \$55 billion. That is,  $\$46 - \$47 = \$55$ ; that's Bankers' Arithmetic!

On top of that, the debt itself has essentially doubled, in terms of the national currency, because of the devaluation of the peso by more than half, from 26.4 pesos to the dollar in 1997, to 56.4 in 2004 (the peso was 4 to the dollar in 1971!). In other words, the \$46 billion

in external debt owed in 1998 cost twice as much to repay today, in terms of the local currency, the peso, because the currency was reduced in value by half against the dollar. The peso valuation of that debt service is a more accurate measure of the actual labor power and national product which must be expended by the Philippine economy to meet that debt service.

Thus, if we take into consideration the impact of this speculative, forced devaluation of the peso, and calculate the *peso equivalent of each year's debt service payments in dollars, and then translate that peso value back into dollars at the 1997 exchange rate*, we get a true measure of how much was extracted from the Philippine economy to pay the debt service. As shown in Table 1, the actual worth of the debt payments between 1998 and 2004

were about \$89 billion, nearly *twice* the amount that the nation was given credit for. This makes the Bankers' Arithmetic even more absurd:  $\$46 - \$89 = \$55$ .

The government of President Gloria Macapagal Arroyo has done everything demanded of it by the IMF and the international financial institutions, and yet, as in the case of Argentina in the 1990s, the obedience has only led to poverty and bankruptcy. When the IMF and the World Bank demanded an increase of the regressive Value-Added Tax (VAT) from the already excruciatingly high 10% to 12%, and other new tax increases—all to be applied to debt service—the Arroyo government complied. Although several of the tax plans were

TABLE 1  
**The Philippines Has Paid Its Debts!**  
(Figures rounded off)

	External Debt (Millions \$)	Debt Service (Millions \$)	Exchange Rate	Debt Service (Pesos)	\$ Value of Debt Service at 1997 Rate
1997			26.4		
1998	\$46,146	\$5,095	38.7	19,7176	\$7,469
1999	50,997	6,627	40.3	26,7068	10,116
2000	51,206	6,072	50.0	30,3600	11,500
2001	51,900	6,564	51.4	33,7389	12,780
2002	53,645	7,445	53.1	39,5329	14,975
2003	57,395	7,967	55.6	44,2965	16,779
2004	54,846	7,221	56.4	40,7265	15,427
<b>Totals</b>		<b>\$46,991</b>			<b>\$89,046</b>

Using the devalued peso values: \$46 billion owed minus \$47 billion paid = \$55 billion still owed

Using the 1997 exchange rate value: \$46 billion owed minus \$89 billion paid = \$55 billion still owed

Source: Central Bank of the Philippines.

rejected by the Congress, the VAT was recently rammed through over the opposition. Senate opposition leader Sen, Aquilino Pimentel warned Arroyo that the new tax would only “add to her woes, rather than bail her out of her predicament, for the simple reason that it would cause more hardships for our people.” The Minority Leader in the House of Representatives, Rep. Francis Escudero, said that the VAT, and the failure to act on the spreading poverty, were the central causes of the collapse of Arroyo’s popular support rating to 38%.

Despite various accounting schemes aimed at hiding the fact, it is estimated by several sources that two-thirds or more of the nation’s national revenue is being eaten up by debt service. A group opposing Arroyo led by three bishops, reported in May that 88% of tax revenues in 2003 went to debt service. With a sovereign credit rating at “junk” status, that is, below investment grade, the government must borrow at exorbitant rates on the international markets, further aggravating the crisis. At least \$4 billion in new borrowing is planned for this year, all for debt service.

### **Another U.S. Coup?**

And yet, the neo-conservatives in Washington are making unmistakable threats of another Philippines coup, this time against President Arroyo. The prominent nationalist economist Alejandro “Ding” Lichauco—who in the past has lent his name to those who called endlessly for the overthrow of Gloria Arroyo, without any idea of what leaders or what program could replace her, and restore the economic sovereignty that was lost 20 years ago—has recently warned that it is, indeed, the neo-conservatives in Washington that are orchestrating a coup against this government.

The most recent proof of U.S. plotting against the Arroyo Government came from outgoing U.S. Ambassador to the Philippines, Francis Ricciardone, and his Deputy, Joseph Mussomeli—both spokesmen for the Cheney policy of preemptive war. Ricciardone gave his parting shot by calling for “peaceful” regime change in the Philippines. Couched in terms of righteous condemnation of any “violent overthrow, extra-legal overthrow of the government,” Ricciardone added slyly that “if people are frustrated enough and angry enough about the problems in this country, that they feel change has to come about, you’ve got options.” Of course, every Filipino now knows that these “options” refer to the U.S.-backed military coups carried out against Marcos in 1986 and against President Joseph Estrada in 2001, which the U.S. Government described as “peaceful change.”

Deputy Chief of Mission Mussomeli made it even more explicit when he said that the southern province of Mindanao, where the U.S. military is deployed to “train” Philippine troops engaged in active combat against terrorist gangs, “could turn into the next Afghanistan.” As *EIR* has documented over the past two years, the Cheney/Rumsfeld policy in Washington is to establish a permanent U.S. military presence in Mindanao as a crucial part of the “ring around

China,” in preparation for their intended confrontation with China in the medium term. The claim of “uncontrolled terrorism” is the excuse used to force the issue of U.S. military intervention.

This helps explain why the neo-cons have turned against Arroyo, despite her economic subservience. The Bush Administration has never forgiven President Arroyo for her decision in 2004 to remove the small contingent of Philippine Armed Forces troops deployed in Iraq as part of the “coalition of the willing,” rather than let the 6,000 Filipino workers in the war zone be subjected to further murder and kidnapping. In fact, she has recently called for all 6,000 workers to return home, offering free passage.

In addition, President Arroyo has significantly strengthened relations with China, including military relations, to the consternation of the China-hawks in Washington. A recent visit by Chinese President Hu Jintao to Manila resulted in historic agreements, including \$1.62 billion in Chinese loans and investments for rebuilding rail infrastructure, building a nickel plant, oil development, expanded trade, and the development of a port in the far northern city of Laoag, which, with proper rail development, could become a center for expanding trade with China and the rest of the Asian mainland, and on to Europe through the Eurasian Land-Bridge. Territorial conflicts in the South China Sea were also resolved, with joint oil exploration in the Spratly Islands in the works.

### **New Bretton Woods.**

In addition to his warning about a new U.S. coup, economist Lichauco has called on Arroyo to save herself and her country by following Argentina’s lead in repudiating the debt. “If she succeeds,” he wrote in a March 21 op-ed in the *Daily Tribune*, “as the government of Argentina did,” then she will have no problem staying in power. Lichauco attended the Billington press conference in Manila on May 16, joining Billington at the podium to ask: “If the President, or a future president, would repudiate the debt, what support would he or she get internationally?” The answer is that a growing alliance of forces around the world are joining in LaRouche’s call for a New Bretton Woods Conference, to replace the bankrupt IMF with a system of fixed exchange rates and long-term credits for infrastructure development. Nations which take defensive measures now will find growing support internationally, but must at the same time add their voice, and their ideas, to the call for building a new international financial architecture.

Meetings with leading members of both houses of the Philippines Congress during the Billington visit showed active interest in bringing the Philippines up to its historic potential as a sovereign nation in world affairs, by joining in the call for the New Bretton Woods. With the U.S. economy crashing, and threatening to bring the world economy down with it, there is little time to lose.