

Paradigm Shift?

The Oct. 2 vote for the BüSo candidate for the Dresden-I district, Kasia Kruczkowski, will be a crucial indicator of whether or not the ongoing political-cultural paradigm shift away from the speculation-oriented era, towards a return of the production-oriented economy in Germany, can be consolidated. Kruczkowski campaigned for the fundamental political-economic issues, which the “established” parties have either suppressed, or have only vaguely touched upon.

In a Sept. 22 interview with the BüSo’s news weekly *Neue Solidarität*, Kruczkowski said: “Dresden can now really change the geometry of world politics. All the activists of our youth movement can now concentrate on this district for a full two weeks, explaining to the citizens why their vote for me can cause a political earthquake.” She emphasized the importance of her candidacy, along with the struggle of the LaRouche Democrats in the United States, for a return to a Rooseveltian New Deal approach on productive investments and public infrastructure development, as well as for a New Bretton Woods financial system.

She pointed out that Dresden today has only 2% of its workforce employed in productive jobs, whereas more than 50% are employed at service-sector jobs—including such questionable “services” as sex shops and movie theaters. Public administration jobs, of which there are many in Dresden, the state capital of Saxony, add another 20% to the non-production sector. “It is, after all, industry, which produces real physical value for the society. Great infrastructure projects are an incentive for industrial production,” Kruczkowski said, calling for investments into productive jobs. “That is why these investments are not inflationary.”

It is important also, she added, not only to address perspectives for the next four years—one legislative term—but rather for the next 50 years, to have the appropriate framework for large-scale international projects of infrastructure development.

The city and region of Dresden, Kruczkowski stated, is not just a spot on the map; located at a crucial junction between the grand North-South and East-West Eurasian transport routes, Dresden has a pivotal role to play in the development of Eurasia. If Dresden stands up, Germany will stand up as well, and Germany is, after all, “the economic locomotive for Europe” which will pull the continent out of the depression, Kruczkowski said in the interview.

Indeed, Dresden does have a special history as a region that pioneered in railway development, promoted by Germany’s “American System” economist, Friedrich List, in the 1830s and 1840s. Dresden is, therefore, destined to become a pioneer also for development of the Eurasian Land-Bridge transport infrastructure. With its renowned Friedrich List Institute of Transport (Logistics) Research, Dresden does have a special, particular scientific capability to contribute to this broader perspective.

Wall Street Wants To Buy Philippines—Cheap

by Mike Billington

In a blatant display of servitude to the lords of the collapsing global financial system, Philippines President Gloria Macapagal Arroyo and one of her leading economic advisors, Speaker of the House José de Venecia, travelled to New York and Washington in September to offer up the nation’s patrimony—its industries, forests, mineral wealth, and more—to the holders of the nation’s huge, unpayable, and illegitimate debt. President Arroyo presented the proposals to the United Nations, while de Venecia, one of the architects of the schemes, took their offerings to the IMF and the World Bank in Washington, with an obligatory appearance at the Heritage Foundation, a neo-conservative anti-nation-state economic think tank which advocates the types of policies which the Bush Administration is carrying out.

Their offerings came in two forms. The first is a plan to change the Constitution, called Charter Change, which de Venecia has supported for many years, as has de Venecia’s mentor, former President and infamous U.S. asset Gen. Fidel Ramos (de Venecia was Ramos’s chosen successor as President in 1998, but lost the election). The Charter Change plan calls for a Constitutional Assembly to scrap the Presidential system, and the checks and balances which go with it, to be replaced by a unicameral parliamentary system, in which both the executive and the legislative branches are run by a single party. Both the President and the Speaker have openly acknowledged that their intention is to do away with the “disruptive” voice of the opposition in the Congress, which has held back their implementation of IMF-dictated austerity “reforms.” Included in their plan for Charter Change is the elimination of Constitutional restrictions on foreign ownership of certain industries, properties, and mineral wealth.

Their second offering is a “Debt-for-Equity” swap plan, pompously proposed on behalf of not only the Philippines, but more than 100 other developing nations besides—without bothering to gain those countries’ support for the colonial scheme. De Venecia and Arroyo made very clear that they were not asking for debt forgiveness, debt reduction, or a debt moratorium, but rather that 50% of the existing foreign debt be transformed into equity in valuable Philippine enterprises.

De Venecia, during his presentation to the Heritage Foundation on Sept. 12, took pains to demonstrate how committed he was to implement Charter Change and Debt-for-Equity. Asked by *EIR* if his Charter Change proposal was aimed at meeting the IMF demand for the Philippines to eliminate Con-



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Philippines President Arroyo (right), and one of her economic advisors, Speaker of the House José de Venecia, offered up their country cheap during their trips in September to Washington, D.C. and New York.

stitutional protections against foreign takeover of the nation's patrimony in minerals and national industries, de Venecia answered simply: "Those restrictions on foreign ownership are outmoded."

EIR also asked if his intent in eliminating the Presidential system were to eliminate the "checks and balances" in the Congress, to quiet the voice of dissent from the minority, which is built into the Presidential system. He concurred, explaining that under his leadership, the House had rammed through several austerity measures, despite "poisonous negativism" from the opposition. Then, he complained, they filed impeachment resolutions against President Arroyo. He bragged that he'd moved to kill the impeachment proceedings on a technicality. Now, he asserted, the Philippines will move to a Parliamentary system, adding that there will be a provision by which votes of no-confidence will be forbidden for at least the first two years of a Prime Minister's term.

On Debt-for-Equity, de Venecia promised that the "return on investment" would far exceed the current returns on the debt: "Instead of earning 1% or 2% over prime as you do now," the Speaker said, sounding very much like a snake-oil salesman, "we are proposing debt-for-equity in very attractive, very high-yield projects, where real returns on investment can be over 100%, 200%, 300%." He pointed especially to forestry and mining operations that would be up for grabs.

Senator Santiago on 'Bankers' Arithmetic'

When the forced devaluations of the Philippine peso are taken into consideration, the Philippines has actually paid its foreign debt twice over since the 1997-98 speculative assault on the Asian currencies, as *EIR* demonstrated in "Looted by the Bankrupt IMF System, the Philippines opens to LaRouche" (see *EIR* June 3, 2005). That fact has now been

acknowledged by Philippine Sen. Miriam Defensor Santiago, a former Presidential candidate and a leading *supporter* of President Arroyo. Santiago told the Senate on Aug. 25 that the nation was "caught in a debt trap," in which "interest payments forced the Senate to divert most of the meager funds that should have been allocated to health, education, and food security." The Philippine foreign debt, officially at \$62 billion as of 2003, and rising rapidly, extracts over \$10 billion per year in debt service from the Philippine economy, according to the Asian Development Bank (ADB).

Santiago continued: "It appears that from what the Philippines has paid in debt service, we have already repaid twice our external debt. Further, we have paid our foreign creditors five times more in debt service than we have received as official development aid." She called for the government to "avoid the

IMF teams, and reach agreements directly with our creditors. We should support an international program to reduce debt service by 75% and the debt capital also by 75%," an idea that draws on the precedent set by Argentine President Néstor Kirchner, after his nation defaulted on their illegitimate debt in 2001. It was Kirchner who negotiated a 75% debt write-off with the nation's creditors, and publicly adopted *EIR*'s famous slogan as his own: "There is life after the IMF."

Santiago went further, noting that "most of the export income of the underdeveloped countries is devoted to servicing the external debt," while the export firms are themselves increasingly transnational, such that the apparent "growth" of the Philippines deriving from exports is actually "captive trade, merely a corporate team operation in which the Philippines has no say."

Washington's Control

With a top government ally such as Senator Santiago speaking so directly about the economic destruction of her nation by the international financial institutions, why is the President offering up the nation cheap to these same institutions? What is happening to the Philippines is exemplary of the end of national sovereignty, as demanded by the financial oligarchy to save their system.

In reaction to the level of control over the Philippines by the neo-conservative networks in Washington, and their Wall Street controllers, a scandal has exploded into the open over the past weeks. A Filipino-American working as an agent for the U.S. Federal Bureau of Investigation (FBI), Leandro Aragoncillo, and a fellow Filipino with high-level political contacts back home, were arrested for pilfering secret documents from the Bureau and forwarding them to three unnamed political figures in Manila. The documents included numer-



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Philippines Sen. Miriam Defensor Santiago identified the debt trap that is destroying her country, and called for bypassing the IMF, and a program to reduce the debt service and debt capital by 75%. She noted that the Philippines has already repaid this debt twice.

ous reports from the U.S. Embassy in Manila regarding contacts with Filipinos. Many of the documents have now been leaked to the press.

The most damning documents came from former U.S. Chargé d'Affairs Joseph Mussomeli and his subordinates at the U.S. Embassy in Manila, following the near-collapse of the Arroyo government in July. In June, with Arroyo's popularity plummeting, primarily because of the economic disaster across the Philippines, and aggravated by the mounting oil shock, a set of tapes purporting to expose the President fixing the May 2004 Presidential election was released to the Congress and to the public, setting the Philippines into a political frenzy.

On July 8, former President Cory Aquino (who had been placed in office in 1986 by U.S. Secretary of State George Shultz and his assistant Paul Wolfowitz, in a Washington-orchestrated military coup against nationalist President Ferdinand Marcos) dropped her support for President Arroyo, calling for her resignation in favor of Vice President Noli de Castro. On the same day, the President's economic team—the same Cabinet members who had implemented the murderous austerity policies on behalf of the IMF—resigned their positions and joined Cory Aquino in demanding the President's resignation. It appeared that Arroyo's Presidency was finished.

However, the “de Castro solution” didn't have the required approval from Washington. First, General Ramos, the master coup-maker in the Philippines for Washington (including the 1986 coup against Marcos which put Cory Aquino in power, and the 2001 coup against President Joseph Estrada which put Arroyo in power), stepped forward to defend President Arroyo—demanding only that she move immediately to dump the American-style Presidential system.

Then, as has now been revealed by the documents pilfered from the FBI in Washington, U.S. Chargé d'Affairs Mussomeli called in Vice President de Castro for a “job interview,” and found him wanting. “If this is what de Castro can offer on domestic and foreign policy issues,” says the report, under Mussomeli's signature, “then the opposition should rethink its position as protracted uncertainties will deepen and in-

creasingly harm the current political and economic situation.” De Castro, the report added, complained about the low level of economic support from the United States, and did not adequately support the U.S. war on Iraq.

Other secret documents in the stash were Embassy reports on the potential for military action to depose Arroyo, acknowledging that the Embassy was “being courted by both sides—opposition and administration.” Lacking Washington's approval, the momentum for Arroyo's resignation rapidly dissipated.

The Venable Scandal

Equally damning among the FBI documents was a secret contract signed by the President Arroyo's National Security Advisor Norberto Gonzales, with the prestigious law firm and lobbyist, Venable LLP in Washington. The contract called for Venable to find support *within the United States* for the Charter Change in the Philippines—a bald admission by Manila of a lack of commitment to national sovereignty, over an issue as serious as the character of the national Constitution. Worse, the \$900,000-per-year contract was being paid by a secret, private source, perhaps even a U.S. source. The Philippine Congress is so furious over the secret deal that a Senate Blue Ribbon Committee investigating the case has detained Gonzales for refusing to reveal the secret source of financing. Amidst the uproar, President Arroyo has cancelled the contract, but the Senate is hardly satisfied, and will not release Gonzales unless he comes clean.

The tension in the Philippines has reached a critical stage. Demonstrations have become regular events in Manila's Makati business district, where Mayor Jejomar Binay is a leading voice calling for the President's resignation. President Arroyo has taken the reckless step of declaring a “no rally, no permit” policy, saying that the demonstrations, although they have been peaceful, “have become licentious, to the detriment of the peace and order and the welfare of the greater majority.” Her Executive Secretary Eduardo Ermita declared a “rule of calibrated pre-emptive response” against demonstrators. Presidential Press Secretary Ignacio Bunye, using classic synarchist terminology, said the government “needs to stop anarchy to preserve freedom.” Reports of preparations for emergency rule fill the press and the Congress.

Opposition leader Sen. Aquilino Pimentel warned that the President was “pushing the people into the path of violence.” Senator Santiago, the chairman of the Senate Committee on Foreign Relations, supported the detaining of Gonzales, despite her support for President Arroyo, and called a hearing of her own committee into the affair.

If Santiago's call for true sovereignty over the nation's economy and financial system, described above, is heeded, then the political turmoil can be resolved in a reasonable manner, one way or another. The alternative is chaos.

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