

Neo-Cons Threaten The Philippines

by Michael Billington

Dana Dillon, who covers Southeast Asian military and security issues for the neo-con-friendly Heritage Foundation, was provided space in the *Wall Street Journal* on Oct. 7 for a commentary which opened a frontal assault on Philippine President Gloria Macapagal Arroyo. This marks a dramatic shift, since the Arroyo Administration was previously one of the Bush Administration's closest supporters in Asia. In 2002, the Heritage Foundation served as midwife to a deal between Donald Rumsfeld's Department of Defense, and the former Philippine Secretary of Defense, Gen. Angelo Reyes, in forging a U.S./Philippine "Defense Policy Board," aimed at legitimizing U.S. military combat operations in the Philippines—despite explicit restrictions against it in the Philippine Constitution.

However, President Arroyo's decision in July 2004 to remove the small contingent of Philippine troops from Iraq, and her high-profile state visit to China in September, have provoked the formerly doting neo-con crowd in Washington to publicly declare their indignation. Dillon's *Wall Street Journal* commentary accused President Arroyo of "working against American interests on a variety of issues." In particular, he accuses the Philippines of "encouraging a spate of kidnappings in Iraq," and of "weak-kneed appeasement" for her historic agreement with China to peacefully cooperate in oil and gas exploration in the contested Spratly Islands region of the South China Sea. Dillon concludes: "No negotiations with terrorists. No deals with bullies," and suggests that U.S. aid to the Philippines should be eliminated—or worse.

Similar complaints, if more diplomatically expressed, were extended from the U.S. Embassy in Manila, while retribution from Washington came in the form of cuts in promised military and agricultural aid.

Arroyo Stands Firm

The Arroyo Administration has refused to back down to these imperial dictates. Presidential press secretary Ignacio Bunye said that the President's decision on Iraq was "something that our President does not regret doing, and she is not making any apologies." As to the Heritage Foundation diatribe, Bunye added: "I can see where the supposed think tank is coming from. The bias is very obvious." On Dillon's accusation of "appeasing" China, Bunye said that the deal to

cooperate “is consistent with the declaration of the conduct of parties in the South China Sea.”

Opposition Agrees

Sen. Aquilino Pimentel, although he is the opposition leader in the Senate, warned on Oct. 23 that the mounting conflict with the U.S. could result in yet another U.S.-orchestrated “regime change” in the Philippines. His warning followed the revelation by the U.S. Department of Justice that the comptroller of the Armed Forces of the Philippines, Gen. Carlos Garcia, had been purchasing Park Avenue real estate in New York, and other properties around the U.S., with funds apparently pilfered from the Army. General Garcia’s son was caught by U.S. Customs with \$100,000 in undeclared funds in California last December, but the story was only leaked to the Philippine press in October. “The hand of America is here,” said Senator Pimentel, since the story was kept quiet until after the break over Iraq, “and it is a signal to Gloria that things are not well between the Administration and the Americans. A weakened Presidency is always ripe for the shoving.”

Senator Pimentel drew the obvious connection to a previous “regime change” operation in the Philippines, against President Ferdinand Marcos in 1986, which was carried out under the cover of “people power,” with a mass of “warm bodies” mobilized to the streets to provide democratic cover for the foreign-sponsored military coup. The process was repeated against President Joseph Estrada in January 2001, which was when Arroyo was placed in the Presidency. Said Senator Pimentel: “President Arroyo is ‘ripe for another people power, or worse, a coup.’”

Arroyo’s Self-Destruction

Despite her defense of Philippine sovereignty in foreign policy matters, President Arroyo has squandered the good will she gained among her constituents after the pull-out from Iraq, by continuing to demand deadly IMF-style austerity measures, in a desperate and futile effort to deal with the nation’s debt crisis. With the oil price spike sparking severe inflation, including in food prices, the impoverished population is now facing hunger and malnutrition at catastrophic rates—despite the fact that there are adequate food supplies in the country. The Food and Nutrition Research Institute reported in October that “although meat, poultry, eggs, milk, and milk products are readily available, many Filipinos do not have the money to buy them.” They report that 24% of the population is undernourished, and 53% of children under two are suffering from anemia. In addition, with over one-third of the national budget going to debt service, only 1.6% is allocated to health services, compared to the 5% standard set by the World Health Organization.

President Arroyo has responded to this report by allocating \$100 million to a food stamp program for the poorest regions, but has not retreated from the “pain package” (as it

was described by her spokesman in the Congress, Rep. Jose Salceda) against the population—a \$3 billion tax and budget-cut program which will only make the suffering worse, while not significantly lessening the debt burden. Demonstrations against the “pain package,” and demands for the President’s resignation, are coming from an expanding coalition of social and political groups, while recurring rumors of possible military coups have created the environment which led to Senator Pimentel’s warning about “another people power, or worse, a coup.” Former President Gen. Fidel Ramos, the mastermind of both the 1986 and the 2001 “people power” coups, is deploying his networks into the anti-Arroyo coalition, positioning himself, and his cohorts in Washington, to carry out regime change if deemed necessary.

Debt Moratorium

The Arroyo Administration is publicly sticking to the austerity program demanded by the IMF and the rating agencies (Anglo-American enforcer Fitch Ratings recently threatened to dramatically cut the Philippines sovereign rating, already two notches below investment grade, if the “pain package” is not approved by the Congress).

However, there are indications that reality is having some impact. One source close to the government’s economic team said that it is recognized that even if the entire “pain package” were implemented, the debt crisis would be just as bad or worse next year.

Secondly, the leading establishment paper, the *Philippines Inquirer*, ran a two-part editorial Oct. 24-5 called “Debt Relief.” The editorial acknowledges that, with debt service eating up the budget, “government spending is actually smaller now than it was two administrations ago. The growing public debt, then, may be the root of the problem.” While carefully stating that “We do not suggest outright repudiation, [nor a] debt moratorium,” the fact that they raised these issues legitimizes the discussion. The editorial even goes so far as to suggest that “some debts, such as the one incurred at grossly disadvantageous terms to fund the Bataan Nuclear Power Plant, qualify for it [repudiation].” This is clearly a trial balloon for the Administration.

Whether there is any solution to the Philippines crisis—and those facing developing nations around the world—depends most immediately on the outcome of the U.S. elections. If the neo-conservatives running the Bush-Cheney regime are removed, then there is at least a good chance that a Kerry Administration will confront the onrushing collapse of the dollar-based financial system with a call for a new global system based on the original pre-1971 Bretton Woods. In that hopeful eventuality, a Philippine government willing to acknowledge the failures of the past, and defend the general welfare over the foreign debt, will be a valuable contributor to forging a new world order.

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