

# Arroyo sworn in for second term as Philippine president

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Nearly two months after the Philippine elections, Gloria Macapagal Arroyo was sworn in for a second term as president on Wednesday. While she used the occasion to make a series of populist promises, her economic agenda will ensure that the burden of the country's slump will fall most heavily on those who can least afford it—the working class and poor.

Arroyo won the May 10 poll unconvincingly, defeating Fernando Poe Jr by 40 percent to 37 percent, or some one million votes. The result was held up by laborious counting methods and was only finally validated in the country's Congress last week. Poe has not conceded defeat and is considering a Supreme Court challenge to the outcome. He has accused Arroyo of rigging the vote, claiming that some of the 180 provincial summaries provided to the Congress were tampered with.

Several protests have been organised by Poe supporters and other groups. On Tuesday, police used tear gas and water cannon to break up an “illegal” rally of Poe supporters in Quezon City, part of Metro Manila. Various estimates at between 200 and 2,000, the demonstrators carried placards branding Arroyo “the mother of all cheaters” and clashed with police for several hours.

Thousands of police, including riot squads were on hand in Manila where Arroyo delivered a speech, and in Cebu City, where the official swearing-in took place. Presidential spokesman Ignacio Bunye bluntly warned that there was no need for marches, except to heal political divisions and get behind Arroyo's agenda. Nevertheless, anti-Arroyo demonstrators confronted hundreds of police, backed by fire trucks, intent on preventing any disruption to the inauguration ceremony.

The protests underscore the simmering hostility to Arroyo, particularly among the poor. Arroyo only narrowly defeated Poe, a former film star who has no experience in office, no political party and virtually no policies. Like deposed president Joseph Estrada, Poe has connections to sections of the ruling elite associated with former dictator Ferdinand Marcos, but made appeals to the poor based on his movie

image as a hero of the downtrodden.

Arroyo's inauguration speech included a crude appeal for popular support. In the course of her six-year term, she pledged, her administration would create six million jobs, provide loans to three million entrepreneurs, create a million agriculture-based businesses, make power and water available to every village, and provide every child with a place in school with a desk, chair and books.

But the real thrust of her speech was directed at the demands of foreign and local investors for savage cuts to government spending and increased taxes. Arroyo promised to eliminate the huge and growing budget deficit of nearly 200 billion pesos (\$US3.5 billion) by the end of her term of office. This pledge is incompatible with any expansion of social spending and will simply heighten the appalling conditions confronting the estimated one third of the population who live on less than 60 US cents a day.

The Philippine national debt has risen to 3.4 trillion pesos (\$US60 billion) or close to 80 percent of the country's GDP—up from 56 percent just five years ago. One third of the budget is spent on interest repayments, which continue to increase as the value of the peso falls and the government resorts to raising new loans to shore up its shaky financial position. Far from increasing, the share of government spending on social services has dropped from 33 percent to 28.7 percent of GDP over the past five years.

The government has just reopened a new bond offer of \$750 million and expanded it to \$1 billion. The proceeds will go to bailing out the National Power Corp, whose debts of 500 billion pesos have been taken over by the government. The Philippines is the largest borrower in Asia, apart from Japan. Since late 2003, the country has sold about \$2.2 billion in bonds to cover government debt payments.

Various economic commentators have already made clear that Arroyo has no leeway in eliminating the budget deficit. Mike Moran, an economist at Standard Chartered Bank, said Arroyo had to take a tougher line against vested business and political interests. “She's talking the talk. Now's the time to really walk the walk as well. That's what she's

going to be judged on.”

The credit rating agency Standard & Poors warned that the Philippines faced a possible downgrade unless Arroyo curbed the growth of debt. Fitch Ratings declared: “Failure to exploit the improved political backdrop by making headway on fiscal policy tightening could see the Philippines’ rating strengths start to wither again, following the downgrade in 2003.”

What this will mean for ordinary working people was graphically revealed last Friday when the embattled National Power Corp sought approval to raise electricity rates by 82 percent to cover higher fuel costs. While calling for measures to minimise the impact of businesses and the price of basic commodities, Arroyo declared that she would not oppose the move, which will inevitably lead to further job losses and inflation.

Throughout her previous three years in office, Arroyo has demonstrated nothing but contempt for the needs and aspirations of the Filipino masses. She is a scion of the political establishment—a Harvard-trained economist, who is the daughter of a former president and the wife of a wealthy lawyer and businessman. She was elected as vice-president in 1998.

Arroyo was installed in power in early 2001 in what amounted to a virtual coup against the elected president Joseph Estrada, backed by the military and sections of business. While Estrada’s “corruption” was the pretext, the real reasons for his removal lay in the deteriorating economic situation and fears in the ruling elite that economic restructuring was not proceeding rapidly enough.

The ousting of Estrada followed a campaign of largely middle class protests led by Arroyo and former presidents Cory Aquino and Fidel Ramos, and backed by various left parties, including the Communist Party of the Philippines (CPP). Just months later, however, on May 1, her regime was rocked by large pro-Estrada protests that were dominated by sections of the urban poor. Arroyo was compelled to impose “a state of rebellion” and call on the army to suppress the opposition.

Arroyo will use her narrow election win to claim legitimacy for her administration but she remains beholden to those who installed her in power in 2001, including the military. Throughout the past three years, she has been heavily dependent on the Bush administration in particular—politically and economically. Following the September 2001 attacks, Arroyo aggressively promoted herself as a proponent of the “war on terrorism,” backing Washington’s military aggression in Afghanistan and then Iraq.

Under the guise of “military training,” Arroyo permitted US troops to operate alongside the Philippine Armed Forces

in fighting Islamic separatist rebels in southern Mindanao. The government also signed a Military Logistics and Support Agreement (MLSA) that provides the US military with extensive storage facilities and services in the country for the first time since the closure of the Clark Airfield and Subic Bay naval bases in 1992. In return, the US has provided military and financial aid to help prop up the Arroyo administration.

Bush rang to congratulate Arroyo on her second term of office. According to a White House spokesman, the US president thanked her for “her strong support in the war against terror” and the country’s “contributions to help the Iraqi interim government”. The Philippines has a contingent of 51 police and troops in Iraq. But there is no doubt that Washington will pressure Arroyo to do more.

US Secretary for Veterans Affairs Anthony Principi, who was part of the US delegation attending Arroyo’s inauguration, pointedly drew attention to the \$3.4 billion in US direct investment that flowed into the country last year. Chief of the US Pacific Command Admiral Thomas Fargo, who was also present at the ceremony, visited a military camp in the southern Philippines on Sunday and urged tougher measures against the alleged terrorist group Jemaah Islamiyah.

In response, Philippine Defence Secretary Eduardo Ermita announced on Monday that joint counter-terrorism exercises with the US military will take in the Philippines. The following day, police rounded up four men, alleging they were members of Jemaah Islamiyah who were preparing to disrupt Arroyo’s swearing-in. The police claim to have found bomb-making manuals and materials in the house where the suspects were staying.

Arroyo’s close collaboration with Washington, her backing for its military interventions and the presence of US troops in the Philippines have already generated public opposition. It is another factor, along with the country’s deepening economic uncertainty and social tensions, undermining Arroyo’s limited base of support. She enters her second term of office in a weak position, which will only deteriorate further as she implements policies opposed to the interests of the masses.



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