

Political turmoil surrounds Philippines President Arroyo

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Less than a year after being sworn in for a second term of office, Philippines President Gloria Macapagal Arroyo is confronting a mounting political crisis. The most obvious signs are two ongoing scandals that have provoked a series of protests and calls for her to resign. Underlying her falling popularity, however, is a growing hostility to the impact of her regressive economic policies, including increased taxes, amid continuing levels of high unemployment and widespread poverty.

The largest protest took place on the Independence Day weekend of June 11-13. Dubbed a "National Day of Mourning", an estimated 5,000 people took part in the rally and march in Manila on June 11, despite an official ban on demonstrations and the mobilisation of at least 6,000 riot police and soldiers. The protest was dominated by various leftist groups, many of which openly backed Arroyo and the so-called "Peoples Power" movement that initially installed her in power in 2001.

The previous day, several hundred farmers and workers carrying placards reading "Gloria corrupt, resign now!" and "Punish Gloria, the cheat" clashed with police who attempted to disperse the crowd with water cannons. At least 12 people were injured and three arrested. The protesters accused Arroyo of "crimes against the people," including fixing the May 2004 presidential election, land grabbing and a crackdown on opponents.

Speaking at a National Day reception, Arroyo denounced calls for her resignation and moves to oust her as "extreme madness". She warned that "the global marketplace" had already taken note and defended her "painful but necessary steps to raise revenues, reform collections and present a fiscally responsible budget". To make clear that she had the backing of the armed forces, she attended a National Day military parade.

Indicating concerns in Washington, US Charge d'Affaires Joseph Mussomeli commented on June 11 that the Bush administration stood fully behind Arroyo as the "duly and democratically elected president". The statement was seized upon by Arroyo's political supporters, who declared: "The clear and unequivocal support by a top US Embassy official should spell the death knell for this particular chapter of the ongoing destabilisation effort by the opposition."

The protests have not ended, however. Retired general Fortuno Abat, former defence secretary under President Fidel Ramos, has called for a mass protest rally and "solidarity rally" this Friday to force Arroyo to resign. Abat announced last month that he was willing to head a civilian-military junta to replace Arroyo and

dispense with parliament. Various leftist activists, church-backed groups and oppositions declared on Monday that they would "clog the streets of Manila" to demand that Arroyo answer allegations of election fraud.

At this stage, there are few signs that the coalition of business, church leaders, generals and bureaucrats, which backed Arroyo against the elected president Joseph Estrada in 2001, is breaking up. In business circles, there are concerns that the ongoing political instability will underline the already fragile economy. And despite coup rumours, the military leadership, which firmly crushed a protest revolt by junior officers in 2003, has stood behind Arroyo. Nevertheless, the two scandals have the potential to undermine Arroyo and become the focus for far broader opposition to her social and economic policies.

The first scandal erupted over claims that Arroyo's husband, son and brother-in-law were receiving pay-offs from operators of the illegal but widespread lottery known as *jueteng*. There is a certain irony to the allegations, as the long-running campaign to oust Estrada, first through impeachment then in what amounted to a constitutional coup, was based on similar accusations. None of the charges against Estrada have been proven and he is still being held under house arrest.

The claims against Arroyo's relatives were made by *jueteng* operators who appeared before a Senate hearing with Roman Catholic bishop Oscar Cruz. Opposition politicians leapt on the allegations and the Senate inquiry is continuing. While it is conceivable that Arroyo's opponents orchestrated the scandal, it is also quite possible that the president's family was involved in the widespread political practice of taking payoffs to finance political activities.

While the first scandal harked back to the illegitimate way in which Arroyo was initially installed, the second cast doubt over her win in the 2004 presidential elections. Her opponent Fernando Poe Jr, an actor with a close association to Estrada's backers in the ruling elite, was defeated but accused Arroyo of rigging the poll. Although outright fraud was never proven, there was plenty of evidence that Arroyo exploited her position to bolster her election campaign.

The suspicions were apparently confirmed by the release earlier this month of an audio tape of what was purportedly a conversation between Arroyo and a senior electoral official. Arroyo is heard questioning the official about the margin of her lead in the poll and encouraging him to keep it above a million

votes. “We will do our best,” the official replied. Presidential spokesman Ignacio Bunye admitted that it was Arroyo’s voice but insisted that the tape had been concocted from a number of different sources.

Arroyo issued a ferocious denunciation, claiming that the tape was “proof of the wanton desire of some of my political enemies to break the law and undermine the security of the presidency just to bring down the government.” She promised to prosecute those responsible, including former deputy head of the National Bureau of Investigation Samuel Ong who claimed to have obtained the tape from military intelligence sources.

Arroyo’s right-wing political opponents seized on the tape and the *jueteng* allegations to demand that Arroyo resign. Senate minority leader Aquilino Pimentel urged Arroyo to step down to avoid “another people’s power and a bloody political upheaval.” Senator Jinggoy Estrada called for Arroyo’s resignation to “save the country from further turmoil”. All of these figures have ties to Poe, who died last December of a heart attack, Estrada and business cronies of the former dictator Ferdinand Marcos.

On June 15, a meeting of retired generals, led by former police general Ramon Montano, called on Arroyo to resign because of the rigging of the 2004 elections. The group included a number of generals who supported the Poe candidacy. The gathering called for members of the armed forces, the electoral commission and government to come forward with information on the election.

Various organisations associated with the Stalinist Communist Party of the Philippines (CPP) and CPP breakaway parties are also calling for Arroyo to step down. While their statements reflect popular hostility to the president, the role of these parties is just as duplicitous as in 2001 when they championed Arroyo against Estrada. Having helped her into power, the CPP now denounces the “fascist” Arroyo and applauds efforts by “a broad range of forces, including mass-based organisations and elite politicians” to form “an anti-Arroyo united front”—presumably that could include right-wing politicians aligned to Estrada.

While the anti-Arroyo protests have, to date, been relatively small, there is a broad undercurrent of popular disaffection against the administration. A recent opinion poll conducted by the Social Weather Stations organisation showed that 59 percent of the population was dissatisfied with Arroyo. The figure is the lowest rating of any president since that of former dictator Marcos immediately prior to his downfall.

The reasons for the hostility are not hard to find. While Arroyo, like other bourgeois politicians, claims to be “pro-poor,” she has implemented an economic restructuring program that has led to rising prices, the loss of jobs and falling living standards for the majority. Her latest measure is to extend the current value added tax (VAT) to include all items, including petrol and electricity, except fresh food. From early next year, she will have the power to raise VAT from 10 percent to 12 percent.

The IMF has applauded the VAT increase as a necessary measure to rein in the government’s substantial budget deficit and huge public debt. The fiscal deficit stood at 3.8 percent of GDP in 2004 and is expected to fall only marginally as a result of VAT and other tax revenue measures. Interest payments on public debt reached 29.5 percent of total government expenditure in 2004, up

from 19.5 percent in 1998.

There is no doubt that Arroyo will be under pressure from the IMF and World Bank to further reduce government spending and increase taxes. Government revenue stands at only 14.4 percent of GDP compared with 25.5 percent in countries with the same credit rating as the Philippines. According to Standard & Poor’s, 30 percent of potential government revenue is lost through tax evasion and corruption.

Rising oil prices have also hit the Philippines hard. On Monday, the country’s transportation board hiked up bus and jeepney fares by a massive 33-36 percent, citing oil prices increases, rises in minimum wages and the projected impact of the VAT. The hardest hit by these price increases will be the poor. More than 40 percent of the 86 million Filipinos live on \$US2 a day or less and the official unemployment rate is around 12 percent.

Arroyo, a US-trained economist, boasts that she will improve the Philippine economy. Last year, the growth rate hit 6.1 percent, the highest figure in 15 years, and this year is expected to reach 5 percent. But the economy remains in a precarious state. With a foreign debt of more than \$50 billion, comparisons are frequently made to the potential for an Argentina-style financial meltdown. Political uncertainty has already created jitters on the stockmarket and sent the peso to a five-month low.

Despite the rising opposition, Arroyo is determined to press ahead with her economic agenda. She told *Time* magazine in early June: “I am the agent of change. I wish to be remembered as the one who made the tough decisions to turn the economy around, to get its act together... Maybe that’s why the Lord put me here at this time.”

Others, however, are not so certain. Concerned over the economy, industrialist Raul Concepcion told the *Philippines Daily Inquirer* that Arroyo should treat the next 12 months as her last chance to solve the country’s problems. “The handwriting is on the wall, she should act decisively now,” he stated.

Congressman Teodoro Casiño, one of the leaders of the 2001 movement to replace Estrada with Arroyo, told the *International Herald Tribune* in late May: “Her popularity has suffered because of the economic issues and because of questions of the legitimacy of her election victory.” Referring to the *jueteng* allegations, he added: “They’re like albatrosses hanging around her neck.”

Whatever the immediate outcome of the two scandals, the country’s economic and social instability guarantees that the political turmoil surrounding the Arroyo administration is unlikely to subside.



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