

Philippines President Arroyo refuses to step down

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22 July 2005

Embattled Philippines President Gloria Macapagal Arroyo is clinging to office amid continuing calls for her to resign over allegations that she was involved in rigging last year's presidential elections. She has been compelled to reorganise her administration after the resignation of senior cabinet members and advisors, including her entire economic team, earlier this month.

Last Saturday Arroyo's supporters staged a large rally, variously estimated at between 80,000 and 120,000, in Manila to bolster the president. The demonstration, which was twice the size of an opposition protest on July 13 through the capital's business district, was organised by local and regional politicians, as well as religious and civic groups, that Arroyo has assiduously cultivated.

In another rather desperate move, Arroyo wrote to the influential Catholic Bishops Conference on Tuesday, proposing the formation of a "Truth Commission" to investigate the charges against her. The church hierarchy has so far not called for the president to resign, but a gathering of the bishops on the weekend of July 8-9 failed to give her administration a ringing endorsement. Bishop Leonardo Legaspi told the media the conference felt there was not mass support for Arroyo's removal.

Arroyo's hold on office remains shaky. Opposition politicians on Wednesday dismissed Arroyo's vague proposals for a truth commission insisting that plans to impeach her will proceed. Congressman Rolox Suplico told the media: "There is no such animal as a truth commission in our statute books and in our constitution."

Suplico indicated that 10 charges would be brought against the president by next Monday. More anti-Arroyo protests are planned on the day, which coincides with the reconvening of Congress and the annual presidential state of the union address. For impeachment to proceed requires the signatures of one third of the 235 members of the lower house to pave the way for a trial in the Senate.

Arroyo first came under pressure last month following allegations that her husband and son received kickbacks from the operators of a widespread illegal lottery known as *jueteng*. The scandal is particularly sensitive because Arroyo's own supporters used similar accusations as the pretext to oust

President Joseph Estrada in 2001 and to install her. Arroyo's husband and son have since left the country in an effort to distance the president from the accusations.

Even as her family members were embroiled in the *jueteng* scandal, an audiotape surfaced purportedly of a conversation between Arroyo and a senior electoral official at the time of last year's election. Arroyo, who was keen for a clear win to legitimise her presidency, is heard to encourage the official to ensure a winning margin of at least one million votes. After initially denouncing the tape as a concoction, Arroyo was compelled to go on national television on June 27. While not directly acknowledging the tape as genuine, she admitted she had spoken to the official and apologised for what she said was "a lapse in judgement".

Arroyo's about face was a clear sign that support was slipping away. Up to that point, those calling for her resignation were primarily opposition politicians and ex-generals connected with her main presidential challenger Fernando Poe, Estrada and ex-cronies of the former dictator Ferdinand Marcos. Various "left" parties, including the Stalinist Communist Party of the Philippines, joined the anti-Arroyo bandwagon alongside these right-wing hacks. In 2001, these same organisations backed the anti-Estrada rallies and hailed Arroyo as the saviour of the nation.

On July 7, in an effort to stem the crisis, Arroyo called on her cabinet to formally resign to give her a free hand to reshuffle her administration. The following day, however, 10 senior cabinet ministers and advisors met at the Hyatt Hotel and called on her to make the "supreme sacrifice" to save the country from further turmoil. They declared that the legitimacy of her presidency was under "a cloud of doubt" and called on Vice President Noli de Castro to take over.

All of the key economic cabinet members, including Finance Secretary Cesar Purisima and Budget Secretary Emilia Boncodin, resigned, indicating deep concern among layers of business over the impact of the political crisis on an already weak economy. Last Sunday three more presidential advisers quit.

Even more significantly, on July 8, two former presidents Corizon Aquino and Fidel Ramos, both of whom were crucial in 2001 in marshalling support in ruling circles for Arroyo,

distanced themselves from their protégé. Aquino openly called on Arroyo to resign and allow Vice President de Castro to take over. Ramos proposed that Congress amend the country's constitution to allow a parliamentary, rather than presidential form of government. After elections next May, Ramos suggested, Arroyo could make "a graceful exit".

Both proposals were aimed at a constitutional solution to the crisis, in contrast to opposition calls for an extra-constitutional transitional government or interim governing council. The comments of Aquino and Ramos reflect real concerns in ruling circles that, unlike previous so-called peoples power movements in 1986 (against the Marcos dictatorship) and 2001, a new wave of anti-government protests could rapidly slip out of the control of the existing parties.

At the same time, there is recognition in the ruling elite that mounting economic and social tensions is paralysing government. A US-trained economist, Arroyo, has endeavoured to press ahead with savage restructuring measures, including cutbacks to government spending, privatisations and the broadening of the Value Added Tax (VAT) to cover petrol and electricity. The tax changes could also allow the president to lift the VAT rate from 10 to 12 percent next year.

All of these measures have fallen hardest on the poor. The official unemployment rate in 2004 was 11.8 percent, but, when underemployment is included, "labour underutilisation" stands at 27.4 percent. Out of a population of 86 million, an estimated 40 percent live on less than \$US2 a day. Rising oil prices have widened the social divide, by both depressing economic growth and contributing to inflation, currently at 8 percent annually.

Deteriorating living standards are a major reason for Arroyo's deep unpopularity. A poll conducted in Manila on July 12-14 by the Social Weather Stations polling organisation found 62 percent of respondents wanted Arroyo to resign and 85 percent wanted her impeached. Arroyo's supporters dismissed the findings, the worst ever for a sitting president, by declaring "Manila is not the Philippines".

Arroyo's backing for the Bush administration and its "war on terrorism" is another reason for her falling popularity. In return for Washington's political and economic support, she has allowed US military "trainers" to operate in southern Mindanao and committed Philippine troops as part of the US-led occupation of Iraq. Last July, however, she was forced to withdraw the Philippine military contingent, after the kidnapping of a Filipino worker in Iraq produced a wave of public sympathy at home and threatened to trigger opposition.

Arroyo has become something of a liability for the country's business elite, which was counting on her to impose further restructuring measures. She won plaudits in the financial press for slashing the budget deficit and imposing tax changes. But the VAT legislation is now stalled by a legal challenge in the Supreme Court, which earlier this month imposed a temporary restraining order on its implementation. The decision provoked sharp falls on the Manila stockmarket and in the value of the

peso.

Further economic instability is likely. While the GDP grew by 6.1 percent last year, the future is clouded by rising oil prices, huge debts and global uncertainty. The recovery of the Philippines after the Asian financial crisis in 1998-99 was heavily dependent on trade with China. Any faltering of the Chinese economy will have a severe impact in the Philippines. With oil prices hovering around \$US59, the Asian Development Bank estimates that the economic growth rate could fall to 2 percent.

Rising US interest rates pose a threat to Manila's ability to manage its huge debts. Currently public debt stands at \$US69 billion and repayments consume around 30 percent of government expenditure. The administration has already sold \$US2.25 billion in international bonds this year and needs another \$850 million. As SB Equities trader Monique Lecaros pessimistically told Reuters: "The highest position in government is under attack, the reforms are also under attack, the country is being rocked to the core."

Last week the credit rating agencies Moody's, Standard and Poor's and Fitch Ratings all downgraded the outlook for the Philippines from stable to negative. Fitch's long-term foreign currency rating for the Philippines remains at BB level, two points below investment grade, while Standard and Poor's is lower at BB minus. The downgrading will inevitably compound the country's problems by making it more difficult and expensive to raise money on the international capital markets.

One of the main reasons why Arroyo is still in office is the lack of a clear alternative. Vice President de Castro, a former television journalist, is not viewed in big business circles as having the necessary clout to push through market reforms. Moreover, as an Arroyo ally, his election last year could also become the subject of allegations of vote rigging. Arroyo's opponent Poe died last year of a heart attack. Scraping the bottom of the barrel, some opposition politicians are promoting his widow or even deposed President Estrada, who is still under house arrest, as possible challengers.

This impasse reflects a deep crisis of bourgeois rule. Nearly two decades after the 1986 uprising ended the Marcos dictatorship, successive "democratic" administrations—Aquino, Ramos, Estrada and now Arroyo—have proven completely incapable of meeting the needs and aspirations of the vast majority of the population. Such is the level of alienation from the entire political establishment that none of the rival factions of the ruling elite command sufficient support to ram through the restructuring agenda demanded by business and foreign investors without provoking a political crisis.



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