

Philippine president accused of “treason” over Spratlys deal with China

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More political fuel was added this month to the crisis surrounding Philippine President Gloria Macapagal Arroyo. There were accusations that her administration had betrayed the country by signing a 2005 agreement with China and Vietnam to conduct a joint seismic survey of the disputed Spratly Islands chain. The new allegations come on top of accusations of massive kickbacks involving the awarding of a now-cancelled \$US329 million contract to a Chinese corporation, Zhongxing Telecommunication Equipment Co. (ZTE), to build a nationwide broadband network (NBN) in the Philippines.

While the agreement with China and Vietnam is not new, opposition politicians utilised an article in January/February 2008 edition of the *Far Eastern Economic Review* (FEER) to resurrect the issue. The payoffs contained in the 2006 ZTE contract, they claimed, were made in return for signing the Spratlys agreement in 2005. The Spratlys, which sit aside key strategic sea lanes in the South China Sea and are believed to have significant reserves of oil and gas, have been the subject of bitter and long-running disputes between China, Vietnam, Taiwan, the Philippines and Malaysia.

The FEER article entitled “Manila’s Bungle in the South China Sea” was scathing in its criticism, declaring: “As details of the undertaking emerge, the JMSU [Joint Marine Seismic Undertaking] is beginning to look like anything but the way to go. For a start, the Philippine government has broken ranks with the Association of Southeast Asian Nations [ASEAN], which was dealing with China as a bloc on the South China Sea issue. The Philippines also has made breathtaking concessions in agreeing to the area for study, including parts of its own continental shelf not even claimed by China and Vietnam. Through its actions, Manila has given a certain legitimacy to China’s legally spurious ‘historic claim’ to most of the South China Sea.”

Arroyo’s opponents—both left and right—immediately seized on the FEER article. In the lower house, Teodoro Casiño and Satur Ocampo from the Stalinist Bayan Muna joined with 12 other congressmen to declare that the JMSU agreement was “effectively giving away the national patrimony as it actually concedes the exploration and exploitation of natural resources to foreigners which, under the United Nations Convention on the Law of the Sea (UNCLOS), clearly fall within the

archipelagic waters, exclusive economic zone and continental shelf of the Philippines.”

In the Senate, Panfilo Lacson and Anna Madrigal, both right-wing allies of former President Joseph Estrada, and Antonio Trillanes, the leader of a failed 2006 military uprising, filed separate resolutions against Arroyo. Trillanes’s resolution defined the agreement as “treacherous” and an apparent attempt “to circumvent the constitution and to undermine the powers vested by the constitution upon the senate”. If proven, this “amounts to a betrayal of public trust and treason, for which Gloria Macapagal Arroyo and other responsible members of her Government should be held accountable,” his resolution stated.

It may appear odd that a three-year-old agreement has suddenly surfaced in the midst of a bitter faction row in the Philippine political establishment. In fact, the new JMSU “scandal” helps to clarify what lies beneath the allegations of corruption, nepotism and now treason against Arroyo that fill the pages of the Filipino press. Arroyo’s opponents speak for those layers of the ruling elite most closely aligned with the old colonial power—the United States—who are hostile to her administration’s developing economic and political relations with China.

In the tussle for the NBN contract, the Chinese corporation ZTE won out over an American rival ARESCOM. In the case of the Spratlys, even bigger interests are at stake. Ever since September 2001, the Bush administration has been intent on using its fraudulent “war on terrorism” to strengthen the US strategic position in South East Asia and counter its rising rival China. Arroyo immediately sided with Washington and, with US military support, waged her own “war on terror” in southern Mindanao. At the same time, however, her administration has been increasingly dependent on aid and investment from China to boost the shaky Filipino economy.

US opposition to the JMSU deal was evident in 2005. The right-wing American think tank, the Heritage Foundation, was particularly incensed. It accused Arroyo of caving in to “bullies” and vehemently disagreed with her claims that the “agreement with China does not constitute a surrender of sovereignty over a potentially sensitive area near the Philippines’ coast”. A similar note was sounded by Mark

Valencia, currently a senior associate of the Nautilus Institute, who warned that the agreement “would seem to legitimise China’s occupation of Mischief Reef on the Philippines’ legal continental shelf, and also tacitly implies that both parties recognise the legitimacy of each other’s claims to the area to be ‘researched’, as well as to the nearby features”.

Not accidentally, Valencia is the “independent expert” cited in the FEER article. He has been a senior fellow at the East-West Centre funded by the US Congress, and a contributor to the right-wing *Asian Wall Street Journal* and *Washington Times*. He has consistently articulated US strategic interests in opposing the legitimacy of China’s maritime territorial claims in the South China Sea.

In a *Japan Times* article in 2000, Valencia branded China’s claims as a “serious, long-term threat to safe and secure passage” in the South China Sea. He argued that in basing its claims of sovereignty over the disputed sea as “historic waters”, China was, in effect, directly challenging US interests in the area: freedom of navigation, not just for international shipping, but more importantly for US military forces. “Freedom of navigation and overflight principles do not apply in historic waters,” he wrote.

US efforts to undermine China’s claims in the South China Sea stem from broader strategic considerations. The Bush administration has exploited its bogus “war on terrorism” to secure closer military ties with a number of countries in Asia, including India, Japan and in Central Asia.

However, many countries in the region, including the Philippines, have become increasingly dependent on China economically as a major market and source of investment and aid. Philippine exports to China, 80 percent of which are electronic parts, have ballooned from \$3.14 billion in 2000 to \$30.62 billion in 2007. By last year, the Philippines had become the fourth biggest trader with China among ASEAN members. China and Hong Kong together displaced the US as the Philippines’ largest trading partner, representing 23 percent of the country’s foreign trade. On the other hand, Philippine exports to the US fell from more than 35 percent of total exports in 1997 to just 18.3 percent by 2006.

China is competing with Australian and US multinationals in the Philippine mining industry and has reportedly invested \$1 billion in the Surigao del Norte province. It has also invested \$476 million in the rehabilitation of the North Luzon Railway System. By contrast with the US, which had generated resentment by refusing to sign a free trade agreement and remove subsidies for US agricultural goods, China has signed major agreements committing the Philippines to set aside 1.5 million hectares for the production of agricultural goods exclusively for the Chinese market.

In 2006, according to a *New York Times* report, China offered “an extraordinary package of \$2 billion in loans each year for the next three years from its Export-Import Bank”. The aid offer easily trumped the “\$200 million offered separately by the

World Bank and the Asian Development Bank for that year alone” and “outstripped a \$1 billion loan under negotiation with Japan”.

The Philippines hosted the second East Asian Summit in January 2007, linking ASEAN countries with China, Japan and South Korea. Australia, New Zealand and India were allowed to attend, but the US was notably absent. Concerns have been expressed in Washington that the East Asian Summit will become a means for Beijing to use its growing economic muscle to extend its regional influence. Arroyo, on the other hand, declared at the summit: “We are happy to have China as our big brother in the region.”

The rapid rise of China is profoundly destabilising economic and political relations in the Philippines. As popular opposition has grown over deepening social inequality, rising inflation and high unemployment, Arroyo and her backers have underlined her administration’s economic success story. Her claims, however, largely rest on the financial influx from China, which has contributed heavily to the relatively buoyant Philippine peso, allowing the government to pay off debts, cut the budget deficit and even pump prime the economy.

Chinese aid, investment and trade are cutting across economic ties to the US. The resurrection of the JMSU issue, and its linkage to the ZTE scandal, shows that sections of the ruling elite in Manila are concerned that longstanding strategic ties between the US and its former colony are being compromised. Growing global financial instability and economic uncertainty are compounding the tensions. The increasingly bitter factional disputes in Philippine ruling circles are not being fought out openly, but by means of a sordid scandal, now accompanied by lurid accusations of treason, with the aim of disciplining, if not removing Arroyo.

The key role in obscuring the issues and politically subordinating working people to the anti-Arroyo faction of the ruling elite is being played by the various Stalinist parties, who line up with right-wing figures in denouncing Arroyo and calling for her removal. All this plays a critical function for the ruling class in blocking the emergence of an independent political movement of the working class fighting for its own interests.



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