

of Corazon Aquino, to the April 1986 U.S. airlift of Marcos from Malacanang to Hawaii, the Philippines was put through the worst punitive economic depression since World War II, from which, it was forecast in 1983, the country would not recover before the mid-1990s. The “strategic projects” were shelved.

The looting of the Philippines was at its worst under those champions of “democracy,” now coupmakers, Presidents Aquino and General Ramos, as both tried to satisfy the envoys of “the markets” and “free trade.” Under Aquino, debt service increased 85% in her first year in office (1986-87), and stayed at over 40% of the budget throughout her term in office. From 1992, under Ramos, debt service grew to 34% of the budget, compared to 16% under Marcos. Despite separatist insurgencies on two fronts, under Aquino and Ramos, funding of the Armed Forces, education, and health care were slashed, while the export of the country’s very capable people skyrocketed, with increasing numbers of “overseas contract workers” providing record rates of foreign exchange to offset the insatiable budget deficit. In the last years of her term, Aquino was the target of at least seven failed coup attempts, led by middle and younger officers, whose families, no doubt, suffered the effects of such budget cuts.

Judging by her first Cabinet appointment, that of Finance Minister Alberto Romulo, President Macapagal-Arroyo has acted to appease “market sentiment.” Romulo served under Marcos, where he opposed the Bataan nuclear power plant, one of the 11 industrial projects, as a wasteful boondoggle. Under President Aquino, Romulo was Budget Minister and a member of the Monetary Board. In the transition to President Ramos, he was one of the authors of legislation to restructure the Philippines National Bank into a new “central monetary authority,” which is today’s *Bangko Sentral ng Pilipinas* (BSP), based on the model of the U.S. Federal Reserve. The BSP was set up to be completely independent of Manila’s Finance Department, which is comparable to the U.S. Treasury. The Treasury has no control over the amount of credit issued by the BSP.

Macapagal-Arroyo was on the Dean’s list in Economics at Georgetown University, in Washington, D.C., where she was a classmate of President Bill Clinton. She took the point in the Ramos Administration for seeking Senate approval of the General Agreement on Tariffs and Trade, and ratification of the World Trade Organization.

As for concurrent President Estrada, regardless of the merits, or absence thereof, of any of the corruption charges against him, he has largely squandered the largest electoral mandate ever given to a President of the Philippines. When the Senate impeachment trial opened, he still enjoyed the solid support of 40% of the public.

That vote says as much about what the Filipino people were voting *against* in 1998, as about what they voted *for*.

The Philippines’ poor majority embraced Estrada, who was born into poverty, but was a successful “cops ’n’ robbers” movie actor. Macapagal-Arroyo is among the “1-5%” of the children of former Presidents or other notables. It is too early to tell how this stalemate will be resolved, and for how long that resolution will last, before lawlessness again kicks in, or before “the Filipino comes first.”

## LaRouche to Philippines: ‘We Know How To Rebuild the Economy’

*On Jan. 20, Lyndon LaRouche was interviewed on RMN radio in the Philippines, by host Herman “Mentong” Laurel and co-host Antonio “Butch” Valdes.*

**Valdes:** We’d like to welcome you here to the Philippines, Lyndon LaRouche. We just had some interesting events, culminating in the changing of the Presidents. We change them Philippines-style, “people power,” through a bloodless event.

**LaRouche:** I heard.

**Valdes:** It happened during [President Ferdinand] Marcos’s time, and now with President [Joseph] Estrada.

**LaRouche:** And it happens in the same pattern. In a situation like this, first of all, we realize this also is going on around the world. In California, whose economy is considerably larger than the Philippines, by quite a bit, the whole state of California is in a crash crisis. In a situation like this, we can not exactly make a prediction, like race-car gamblers make predictions. What we can do, is make a map showing the various roads by which we might travel, and try to find the right road to travel, and that probably is better information than any prediction.

But in the California situation, the new U.S. government will have to face the new crisis, and it is going to have to make a decision. If it makes the wrong decision, the road will go one way. I don’t think it will make the right decision. I think it will make the wrong decision. And what it will do, and will do with stubbornness, is to make the world situation more explosive. Which means that in terms of Asia, the Asian economic situation, which includes China, Japan, Korea, and ASEAN [Association of Southeast Asian Nations], is going to suddenly become more difficult. I think that what we [EIR] have been doing, on a global scale, with its reflections in the Philippines, is probably the good road to travel, even under the changing conditions.



*Lyndon LaRouche: "What you have, is an empire which is ready to collapse, as the California situation illustrates, but will act with a maximum amount of desperation, with a relative minimum amount of capability. . . . This Administration will lash out in all directions in the planet, for where to strike, trying to set horrible examples for those who do not obey."*

**Laurel:** Do you think what has just happened is a coup? How is this connected to California and Asia?

**LaRouche:** What you have to understand is that the present leadership, typified by Bush, is of limited mental capabilities. And what you have around him is people with experience in global crisis management. We saw this under Nixon, Ford, Carter, Bush, Sr.'s Presidency, and under Clinton, in terms of getting him involved in doing certain things. So, this team has some intelligent people in it, but the organization is not intelligent, in the real, strategic sense.

What it's going to do, is attempt to charge ahead foolishly, like an army charging into enemy gunfire. It will attempt to bully the world into an attitude of submission to whatever comes out of Washington. Now, you have this killing of Kabila in Congo. Kabila was not very good, as we've documented, but he happened to get at cross-purposes with the interests of George Bush the Elder, with Barrick Gold, and similar operations, and suddenly, he's dead. We see the Middle East situation, which could have been managed, but we see that the policies of the Bush crowd have actually played into being about the potential of a very early war in the Middle East, spreading against Iran, and so forth. We have the situa-

tion in Asia, where they will try and crush China, Japan, Korea, and the ASEAN nations. It will try to have a military expedition against Iraq again. It will behave toward Southeast Asia and Africa in the same way. It will try to intimidate Europe to become an unwilling but dutiful ally on the whims of Washington in all parts of the world.

So what you have, is an empire which is ready to collapse, as the California situation illustrates, but will act with a maximum amount of desperation, with a relative minimum amount of capability. So, this is one of those moments in history which is most dangerous. And that's the situation we're in. In general, the impact we should look for is a global one, not a regional one. This Administration will lash out in all directions in the planet, for where to strike, trying to set horrible examples for those who do not obey.

**Laurel:** Is that what we can say is happening to us? One of the founding principles of the new Administration is "globalization."

**LaRouche:** Globalization is a process set into motion under President George Bush in 1989-91. It has never stopped. It is a policy of certain segments of the U.S. establishment, and it is going on. So, obviously, what you see in the coup operation is, somebody said, "We have a new Presidency in the U.S., let's clean the decks, let's clean up things we want to get rid of. Now, just to start with." So obviously, this will not be the last coup in the Philippines.

Obviously, we know from past experience, that this could not have taken place the way it did without direction from Washington. It just could not. We know this from past experience, what the map is. And, therefore, don't look at it as a selective operation against the Philippines, look at it as part of a global pattern of behavior.

**Laurel:** This looks exactly like what happened to [ousted Peruvian President Alberto] Fujimori.

**LaRouche:** So, it's the same thing that happened with Marcos. Just a different time, with a different spin.

**Laurel:** Like [Indonesian President Abdurrahman] Wahid is facing now.

**LaRouche:** Absolutely. The intent is to break the country up.

**Valdes:** Under the present circumstances, we have a government that will start up on the same policies as before. What would you advise the present economic managers?

**LaRouche:** First of all, the collapse of the U.S. economy as an importer of last resort is going to mean a collapse of the exports of all ASEAN and ASEAN-Plus-3 countries. The shock effects of the collapse in the Philippines, you can calculate for yourself. If you imagine a 20-30% collapse in the total volume of U.S. imports because of the financial crisis, and translate that into the effects on, say, all of the East and South

Asian economies —. You have a picture of a government coming into place which is oriented toward the same kind of thing an Al Gore represented up until the Bush inauguration. But, its policies are not going to work.

So, what you're getting into, is a period *not* of a clear direction of policy thrust by an incoming new arrangement. What you're getting into are—people are marching into quicksand. And you know what happens to an army that marches through quicksand.

The policy behind what the new government ostensibly represents, is the specter of a poor army marching into a quicksand swamp, on which it may have very clear intentions—it may be the most powerful army in that location—but what is it going to do in a quicksand swamp? The quicksand swamp is the collapse of the world financial, monetary, and trade system. We can see this coming week, shock effects as the result, in one way or another, because of the kind of decision or indecision the Bush Administration makes on the California energy crisis. We're going to see shock effects which will change the world situation strategically, at least in terms of the economic parameters.

Another thing to remember, is that the largest single factor in the energy crisis affecting areas of the U.S. such as California, is a company which is associated personally with George Bush, Enron. Enron is one of the predators whose actions are driving up the prices of electricity in California and elsewhere. Therefore, if the Bush Administration is to act to control that process of collapse, it has to act against the desires of Enron to capture more profit. So, you can not say exactly what is going to happen, but what you can see is the contradiction in the situation where you can say, "Yes, the army is the strongest army on the scene, but it's marching into the quicksand swamp, and is very stubborn and very stupid about it, and will probably get stuck," in terms of the political effects of the collapse of the economy.

What are you going to do, for example, in the Philippines, based on a collapse in the economy, based on the collapse of Asian exports to the U.S.? So what you have in that situation, is that the crisis-management people, faced with a swamp, will react as they reacted to the Indo-China war swamp. They will try to keep the war going. They will try to get one force against another force, they will try to unleash every kind of non-governmental organization-type and similar type of separatist/insurrectionist chaos in every part of East and South Asia.

**Valdes:** The attempts to establish close diplomatic ties with ASEAN-Plus-3 nations are being pushed through at a rapid rate by different nations. In the Philippines, we were too distracted by the impeachment processes. How do we get back on track?

**LaRouche:** In the Philippines, we tried to establish in 1987-88 a similar kind of cooperation among the nations of Southeast Asia. What happened since then? Then, you have a refer-

ence point for what is happening now. So, you see someone has effectively driven a bloody wedge between countries, instead of a natural kind of ecumenical approach. So, we have a different kind of situation than we might have been able to develop in 1988. But knowing that, should tell us some of the things we might take into consideration when doing what we have to do to correct that situation now.

I think it's very important to have a dialogue with, for example, the Malaysians behind Dr. Mahathir bin Mohamad. Although Mahathir's formulations have many defects, he's going in the right direction, and he has a very good national sovereignty base for his approach. I don't think, necessarily, that the Islamic population there in the Philippines would be immediately amenable to these as they were, say, 12 or so years ago. But I think there should be some direct communication with people such as Mahathir on discussion of the possibilities of new understanding of peoples and movements in Southeast Asia. I think that what we have to do, is take a global-regional view of this situation, and count on developing understanding with various people in conflict. For example, we just had a conference in Sudan, where we discussed cooperation among states in Africa on the Nile, and related questions. I think it's the time now, in whatever form it can be done, to have this kind of outreach to key circles in other countries, so it's not mechanically based on a Philippines policy, but a regional cooperation approach.

**Valdes:** I'd like to go back to the U.S. economy. You very accurately predicted this period we are in now, in terms of various collapses and the meltdown. Are we to expect the U.S. economy to go down in the next couple of months or so?

**LaRouche:** I don't think we should think in terms of any sense of predictions, but instead think in terms of roads that go through high grounds and swamps. Know that the enemy will dictate the terms. At least at the outset, the enemy will have the primary initiative. So the question is, you have to appreciate what the different options and timetables may be and react to these. But there is an overall principle involved, nonetheless. And thinking in those terms, you think more clearly about flexible flanking approaches to the kind of problems generated by this.

Immediately we know there's going to be a crisis, a terrible financial, monetary, and economic crisis. That's unavoidable. The Bush Administration is not capable of avoiding the mistakes they will make in that direction. What we don't know is exactly what mistakes they will make, but they will make mistakes. Each of these mistakes define a slightly different pathway of development. They will react to their own mistakes with new mistakes. And that's the way we have to deal with this situation.

You have to have a map in the sense of eventualities, based on the enemy's movements. The adversary has options. We don't know exactly what options he will pick. We know the general nature of his reactions, what kind of an animal he

is, how he will tend to react. He will make mistakes. That we know. After he makes a mistake, he will react to the results of his own mistake. And then again, he will have choices. So we have to have an overview of the overall strategic situation, and judge accordingly. Not to get trapped into any simplistic assumption or another when it might go one of ten ways.

**Caller:** Do you think this California situation will spread into other states, and will there be any resulting political instability from this crisis?

**LaRouche:** Oh! It's tremendous! Absolutely! Look at, in particular, Enron. Enron is this company that was buying up energy supply organizations, or buying up energy supplies to control the market. What they were doing is moving on the method of mergers and acquisitions. In California, they deregulated in a radical way. They divided the producers of electricity and gas from the distributors of electricity and gas. And forbid any company to do both. Then they took action which shut down the future development of new production of energy supplies. Then, companies tied to Enron and similar operations, moved in to orchestrate the market in a way which would drive the price of electricity to astronomical amounts.

Now, the utilities that sold to the public were still regulated in regard to the maximum amount they could charge. Now, in this method, companies like Enron, by driving up the price the distributing companies had to pay, bankrupted two of the largest electricity-distributing firms in California. You see, public utilities used to be the most secure type of public investment for retirees, and things like that. They took this class, moved in on it, and bankrupted these utilities wholesale. In the meantime, major banking interests in Asia, and the U.S., including some of Bush's own allies, are deeply in debt and in danger of being dragged down into general bankruptcy as a result of the California situation.

Decisions on that subject have to be made in the coming week, and if they aren't effective, the situation will become much worse. If it blows, it'll blow out most of the U.S. financial system, and it will blow out much of the Asia financial system, especially Japan. This is what we're dealing with. We're dealing with a bomb. Now, this kind of speculation, which the Bush crowd has been deeply involved in for over 20 years, is the same kind of speculation, in effect, the same kind of thing that caused the hyperinflation in 1923 in Weimar Germany. So what you have, is a tendency for these targeted areas of investment to become focal points of hyperinflationary rise in commodity prices, such as a rise in electricity prices, which then in turn shut down whole sections of the economy, which will then set off a chain reaction, a depression chain reaction, which then throws into bankruptcy whole categories of things which represent those industries and investments which have been shut down.

So, you're looking at a potential hyperinflationary explosion, or a deflationary implosion, as a result of this situation.

We don't know how exactly it's going to go, because there are various ways they can try to react to it. But if they continue to make mistakes by sticking to their present policies, this will, in a fairly short period of time, blow out altogether. And it will blow out not only the U.S., but a great part of Asia, because there are Asian markets and Asian banks that are deeply involved in this California situation.

**Laurel:** I'll be jumping to another topic because I am trying to put together the different aspects of information that our public needs, to understand the whys of the latest coup that we have had. Now, two weeks ago, the AIG group, including two members of the board of directors, who were former U.S. Ambassadors to the Philippines, Stephen Bosworth and Frank Wisner, had a meeting in Manila. And I don't know if it was just a coincidence, but with the coup coming just a week and a half after their meeting, there may be some connection. But I think our public should know a little more about this group, this American International Group, AIG, over which Maurice Greenberg exercises power.

**LaRouche:** The Greenberg group is well known to some of you—the pedigree is well known from its relationship to Japan, its relationship to operations in Vietnam during the Vietnam War, and things like that. This group is very close to a certain section of the U.S. intelligence community, which is tied to the "Southern Strategy" crowd, and it does have feet in the diplomatic area and the intelligence-community area of the United States. When you talk about the two individuals, Wisner and Bosworth, you are talking about people who represent exactly that. These are people, who overlap and intersect with so-called Hank Greenberg. They intersect exactly this thing, and, remember, AIG, as you probably recall, was the key immediate interest behind the coup against Marcos. It was AIG, with its resources back in Washington, as well as New York, which was the driving force behind the coup against Marcos. And, you saw what [Marcos's Defense Minister, now Sen. Juan Ponce] Enrile, with former President [Gen. (ret.) Fidel V.] Ramos, and so forth, and Cardinal Sin, what they were able to activate.

And, it is not much different now. You are looking, essentially, at a command structure.

**Laurel:** And, the AIG focusses primarily on financial power, is that correct?

**LaRouche:** Yes, it is a very large, multinational syndicate with very strong interests in Asia, which was interested, for example, in the part of the Philippines where you have this volcanic, highly mineral-rich area, such as where the goldfields in Mindanao are located. They were interested in controlling that; also controlling, of course, things like utilities and what not, but it was essentially at that point, when AIG was in that form—it has since gone through various kinds of mergers and acquisitions, and changed somewhat—but in

that form, that is what it was then. The important thing is the continuity of the financial community, intelligence, et al. community, military community, interrelationship. That is the control apparatus by which the coup potential is organized.

**Valdes:** At this particular point, where would the initiative come from, to change the situation, if not from the U.S.?

**LaRouche:** What we're dealing with, is a situation where ideas are of the most importance. I mean ideas with which I use the term, such as concepts of history, concepts of man. At this point, it's people with ideas who are able to reach into the various strata of the population and institutions who will possibly shape the future for the better. Thus, one does not limit oneself to forces in motion entirely.

We have, for example in the U.S., the issue of Ashcroft, and the danger a Bush government will mean, potentially, in this crisis. But the fatal, tragic quality of the Bush government is, like Hamlet, it may have people intelligent enough to see the way in which they are going, clinging to their present habits, which means they're going to be doomed. But like Hamlet, they can not change their ways even if they can see the road to doom ahead. In that case, you will have to be aware that these people will make a crisis in which their power and

authority and influence is suddenly destroyed, in much the same way that we recall in Leipzig, Germany in 1989. You had the people in the streets with candles at night, and the G.D.R. security forces were on the other side, ready to shoot, but didn't. And the regime, which the week before had proclaimed itself practically a thousand-year empire, collapsed that week, and was replaced by a series of interim governments, and finally led to reunification.

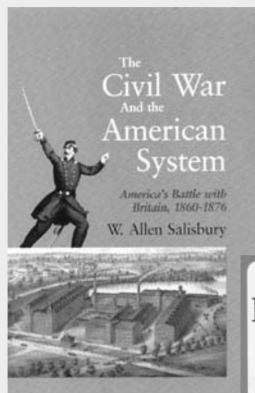
So, we're in a situation where sudden collapses of existing imperial structures open the doors and the mind of people to the recognition that the old ways are dead, and that new ways have to be found and chosen. What I've emphasized, therefore, is the lesson of what FDR represented between 1933-45. The rebuilding of the Philippines economy in the initial postwar period is a part of the success story. We did know how to run an economy, to pull it out of the devastation of war, and build an economy. We could do it again. The idea which is most important under the kinds of conditions of crisis we have now, is the idea which involves what FDR did; is a lesson in history which shows what we can do again now under similar difficult conditions, even though they're worse now than they were then. I think that's the basic message and approach we have to take, and then work out the details from there.

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