

[From *Ang Bayan*, Special Issue, Dec. 26, 1998]

**HAIL THE 30th ANNIVERSARY OF THE COMMUNIST PARTY OF THE PHILIPPINES**

## **II. Worsening of the Chronic Crisis of the Ruling System**

The chronic crisis of the semicolonial and semifeudal ruling system has worsened from one level to another since the US grant of nominal independence to the puppet republic of the comprador big bourgeoisie and landlord class of 1946. Thus, the objective conditions for waging protracted people's war to achieve national liberation and democracy have increasingly become favorable.

The correctness of this line is proven beyond doubt by the fact that in the last 30 years the Communist Party of the Philippines and other revolutionary forces have not only preserved themselves but have gained in strength and advanced through revolutionary struggle. Without a people's war, the Party would have been destroyed totally by the Marcos fascist dictatorship. By waging people's war, the Party grew in strength and prepared the ground for the overthrow of the dictatorship.

The Philippine economy has remained predominantly agrarian and semi-feudal. The imperialists and the local reactionaries have prevented the establishment of basic industries and the carrying out of any genuine and thoroughgoing land reform. Thus, the cities have remained under the sway of the comprador big bourgeoisie and the countryside under that of the landlord class.

From time to time, there are embellishments on the persistent colonial exchange of raw materials and finished products from abroad. But nothing fundamental has changed in the colonial pattern of domestic production and foreign trade. The inflow of foreign funds for public works, some type of floating industry and high consumption of the exploiting classes have always ended in a financial crisis, more serious than the previous one. This has always resulted in the aggravation and further deepening of the chronic economic crisis.

From 1946 onwards, there was loud talk of the puppet regime about building "new and necessary" industries but there was nothing more than the revival of raw-material production and some amount of agriculturebased manufacturing using imported equipment. The result was the financial crisis of 1949 to 1951 as a result of huge annual trade deficits and the depletion of US war damage payments.

Import and foreign exchange controls were adopted and were supposed to favor what would be described as import-substitution industries in the '50s and '60s. These were mere repackaging and re-assembly enterprises for the domestic consumer market and were dependent on imported components. The result was the financial crisis of 1959 to 1961. This gave way to the foreign

exchange decontrol policy upon the dictation of US imperialism. The IMF and World Bank came in on top of the US bilateral approach to impose economic and social policies under the guise of multilateralism.

The economic and financial crisis became worse from year to year in the '60s. But this was laid over by the foreign credit for infrastructure-building and setting up of more mills for coconut, sugar and copper ore. Despite increasing raw-material exports, the trade deficits mounted due to the faster increase of manufactured imports. The financial crisis of 1969 to 1971 ensued. By then, the land frontier, previously available for resettlement of surplus population, became exhausted.

The reestablishment of the Party and the people's army was timely. The ruling system was increasingly unable to rule in the old way. The economic and social crisis limited the opportunities of the reactionaries to divide among themselves the spoils of power. The political competition among them grew increasingly violent.

The Marcos ruling clique took advantage of the worsening crisis by imposing fascist dictatorship on the people and his political opponents. From 1972 to 1986, the fascist regime increased foreign borrowing from the level of US\$2 billion to US\$26 billion to engage in infrastructure-building, put up the big comprador crony firms, enlarge the armed forces and finance the high consumption of the exploiting classes. The result was the financial crisis of 1979 onwards, occurring in connection with the global crisis of raw material overproduction and the global debt crisis.

The economic and financial crisis shook the ground on which the fascist regime stood, sharpened the contradictions among the reactionaries and further stimulated the growth of the armed revolutionary movement. It ultimately resulted in the political crisis that caused the downfall of the fascist regime in 1986. The US-Aquino regime increased the foreign debt level to some US\$29 billion and resorted to heavy domestic public borrowing, which increased from the 1986 level of some 200 billion pesos to 550 billion pesos in 1992. The economic and financial crisis of the big comprador-landlord regime reached a new bottom in the 1990-1992 period. The Ramos regime vigorously pursued its predecessors' policy of following the dictates of the imperialists and multilateral agencies (IMF, World Bank and WTO), in opposing national industrialization

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and land reform and in carrying out trade and

investment liberalization, privatization of public assets and deregulation against the working people and against public interest. Philippines 2000 was never a plan to make a "newly-industrializing" country but to make the Philippines an "emerging market."

The regime promoted in an unprecedentedly big way the labor-intensive, import-dependent, low value-added so-called export-oriented manufacturing (garments, semiconductors, shoes, toys and the like), a highly speculative real estate boom, expansion of telecommunications and the export

of cheap labor. It attracted highly speculative portfolio investments and encouraged private credit transactions within the multinational firms and between these and the big comprador firms. To cover the mounting trade deficits and foreign debt service, the regime went into further foreign borrowing at superspeed up to the level of USD 50 billion (more than 24 billion in six years) and local public borrowing up to the level of 788 billion pesos.

The export-oriented manufacturing fetches a low net export income of 10 percent relative to the 90 percent cost of imported components and, worse, has been squeezed by global overproduction. Office and residential towers and golf courses have been built to milk the banks. Taking advantage of the free flow of foreign capital, the highly speculative foreign investments have been the first to take flight upon sight of the rapidly dwindling foreign exchange holdings of the country and the incapacity to service the foreign debt on time. Like the rest of Southeast Asia, the Philippine semifeudal economy has gone into an unprecedented financial and economic crisis.

The most optimistic predictions of the imperialist and puppet prognosticators are that the current economic and financial crisis in the Philippines and Southeast Asia will run on for the next two or three years. But the crisis of overproduction in exportoriented manufacturing can become as permanent as the crisis of overproduction in raw materials since the '70s. China, Southeast Asia and copycats in exportoriented manufacturing in other parts of the world will tend to perpetuate the crisis of overproduction in this type of production.

In the meantime, the crisis becomes worse and is a part of the downward spiral in the crisis of the world capitalist system. It generates the conditions for Marxist-Leninist-Maoist parties to arise and strengthen themselves and to wage protracted people's war along the general line of new-democratic revolution in Southeast Asia and in so many other semicolonial and semifeudal countries of the world.

As a consequence of the current economic and financial crisis, it becomes easier for the imperialists to take over the entire economy, all the natural resources and every kind of business activity in the Philippines. But even as there is a bargain sale of assets in so many financially bankrupt countries, the current global crisis of overproduction in all types of goods dissuades and

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prevents the imperialists from bringing in productive capital for the

comprehensive and balanced development of the underdeveloped countries. The newly-installed Estrada regime has publicly admitted that the entire economy and the reactionary government are bankrupt. But it is foolhardy in further pursuing the policies of investment and trade liberalization, deregulation and privatization and keeping the economy at being an exporter of raw materials, low value-added semimanufactures and contract workers, importer of finished products and ceaseless beggar of foreign loans.

The Estrada regime is trampling upon the national sovereignty of the Philippines and selling out national patrimony. It is removing all national restrictions on foreign investments and giving to the multinational corporations 100 percent ownership of land and natural resources, banks, telecommunications, mass media and retail trade. But the multinational corporations come in only to take over the most profitable assets and to prevent the comprehensive and balanced development of a self-reliant economy.

The foreign monopoly capitalists are assured of “national treatment” and unlimited ownership of assets,

**THE WHOLE ECONOMY IS REDUCED TO ITS SEMIFEUDAL FUNDAMENTALS, DEPENDENCE ON RAW-MATERIAL PRODUCTION FOR EXPORT AND EXPORT OF CHEAP LABOR.**

tax reductions and exemptions, currency convertibility, unrestricted movement of capital and superprofit remittances, foreign debt repayment, wage reduction and anti-union laws, exploitation of women and children and the plunder and pollution of the environment. The privatization of remaining public assets is being accelerated. The multinational enterprises and the big compradors are taking over at give-away prices profitable state assets in major financial, trading and productive enterprises, in public utilities and in social services. As during the Ramos regime, the nonrecurrent revenues from privatization are dissipated in budgetary spending.

The tax burden imposed on the toiling masses and the middle social strata is being increased, especially in the form of personal income and indirect taxes. At the same time, the imperialists and local exploiting classes practice all forms of evading payment of taxes. The comprador-bourgeois regime extends tax amnesty to the biggest tax evader, as in the notorious case of Estrada’s big crony Lucio Tan. Tax collection will certainly fall far below the corrupt and unproductive spending of the reactionary government. The regime is set to cover the budgetary deficit by increasing the local public debt.

The foreign trade deficit will continue to grow. However, it can be lessened by the decrease of imports for export-oriented manufacturing due to the global crisis of overproduction. The mass layoffs in the sweatshops have aggravated general unemployment. The chain reaction runs up to the reduction in the number of those who could previously afford to buy cars and apartments on installment. The whole economy is reduced to its semifeudal fundamentals, dependence on raw-material production for export and export of cheap labor. Mass unemployment is already grave due to the bankruptcies and production cutbacks. Those who remain employed are required to accept wage freeze at even lower nominal wages and longer working hours. Under the policy of labor flexibility, job security and hardwon benefits are thrown out of the window. Temporary and part-time workers are replacing regular workers. Unions are thereby being busted and being

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prevented from arising.

The incomes of the toiling masses and the middle socialstrata are drastically reduced by the peso devaluation and by the soaring prices of basic commodities and social services. The inflation in the prices of food products is due to the fall of agricultural production and scarcity. The inflation in the prices of basic imported goods is due to higher costs of importation and higher interest rates. There is economic depression but the deflationary trend applies only on high-grade consumer products for the exploiting classes.

Social unrest is widespread in both urban and rural areas because of the drastic fall in production, peso devaluation, inflation and the rapidly increasing mass unemployment and loss of income. There is a systematic campaign to emasculate, terrorize and destroy the trade unions and other mass organizations. But the workers conduct strikes and other forms of concerted actions, the peasants participate in both the armed revolutionary movement and the legal democratic movement and the broad masses of the people engage in mass protests and other forms of resistance.

The Estrada regime dreams of cutting down interest rates to stimulate mass production. But there is a big difference between the imperialists and semicolonial countries with regard to cutting down the interest rates. To cut these down would only stimulate the big multinational firms and banks and the big compradors and high bureaucrats to exchange their devalued pesos and to bring foreign exchange out of the country.

Like previous regimes, the Estrada regime hopes to survive and maintain operations by begging for foreign funds. It has pleaded for more bailout funds from the IMF and World Bank and for a portion of the public works stimulus package for Southeast Asia from Japan. It has sought to float bonds in foreign financial markets. But it is under pressure from the imperialists to give priority to selling off public assets.

In a period of unprecedented economic and social crisis since World War II, the Estrada regime brings back to power and privilege the most hated reactionaries in Philippine society, the Marcos family and the worst of the Marcos cronies, like Eduardo Cojuangco and Lucio Tan. The president acts as the coordinator of these big crooks against the interests of the Filipino people and he expects to get his own cut from the ill-gotten assets that are now being recovered by them from sequestration.

Because of the current crisis, there is a constriction of the ground for amicable accommodation among the reactionaries. There is once more a relative diminution of the spoils for division among them. There is now the glaring tendency of the ruling clique to monopolize the loot. Thus, most of the reactionaries out of power are either publicly wishing the death of the president from his ill-health or floating the possibility of a coup d'etat or assassination.

Within the Estrada ruling clique, there is also a growing conflict between the Marcos family and the biggest Marcos cronies. Estrada has strived to please the Marcoses by fixing the prosecution in their favor and getting them acquitted of criminal charges by the courts. But at the same time, he allows the Marcos cronies to claim and liquidate as their own assets the ill-gotten wealth assigned to them as dummies by the late fascist dictator.

The Marcoses are now freely bringing out into the open their secret deeds of trust and certificates of stock ownership in about 200 contested blue chip corporations, which include big crony corporations and multinational enterprises. This open conflict of the Marcoses and the Marcos cronies is exposing a significant part of the plunder perpetrated by the Marcoses and their cronies under the fascist regime.

At the same time, it completely exposes the demagoguery of Estrada's claim that he is pro-poor. Once more the semi-colonial system is in grave political crisis. It arises from the rottenness of the joint class dictatorship of the big compradors and landlords. There is now a revulsion at the

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ruling clique from the reactionaries out of power. And right within the ruling clique there is now a scandalous struggle over the spoils of power.

The Estrada regime's hold over the fractious reactionary armed forces and the police is tenuous. Dissatisfaction is growing over favoritism in promotions and fund allocations, over distribution of contracts for foreign and local supplies and over the disposition of the savings and pension funds of military personnel and over the fact that someone like General Panfilo Lacson, who is widely denounced as a criminal in uniform, is the actual superhead of the national police and grabs a large amount of intelligence funds for self-enrichment in collusion with no less than the president.

The military and police forces continue to be riven by factions, reflecting the reactionary political factions and masterminding different and often violently conflicting criminal syndicates which run all sorts of criminal operations, like smuggling through customs, drugs, prostitution, gambling, kidnap-for-ransom and robbery.

The Estrada regime tries to rally the military and the police forces by calling on them to fight the revolutionary forces of the Filipino people and those of the Moro people (in particular the Moro Islamic Liberation Front) as well as the criminal syndicates, actually masterminded by military and police officers. But contempt for the Estrada regime is widespread among military officers who resent helicopter promotions for his favorites among police officers who also resent the flagrant expansion of the criminal empires of General Panfilo Lacson and Charlie "Atong" Ang, another notorious crony of Estrada. The regime tries to ingratiate itself further with the US imperialists by pushing for the ratification of the Visiting Forces Agreement. This agreement

### **THE PHILIPPINE REACTIONARY GOVERNMENT HAS UTTERLY FAILED THE TEST OF THE PEACE NEGOTIATIONS.**

reinforces a previous secret executive agreement made in 1992 on "access and cross-servicing" and seeks to allow the US military forces in any size to use any part of the Philippines and any Philippine source of supply and facility at any time and for any duration, with full immunity

from the criminal jurisdiction of Philippine courts. At the same time, the US has built runways in South Cotabato for its military planes and is preparing to build a naval base in Saranggani Bay, a location convenient for US intervention in the whole of Southeast Asia.

The scheme of the US and the Estrada regime to turn the entire Philippines into a US military base has outraged the broad masses of the people and even the Catholic Bishops Conference of the Philippines. Thus, there is now a broad united front of patriotic and progressive forces against the scheme. This united front is increasingly directed at the entire system of US military control over the Philippines, which includes the US-RP Mutual Defense Pact (allowing US military intervention at any time) and the US-RP Military Assistance Agreement (enabling the US to control the reactionary armed forces).

The Estrada regime is pushing for a new constitutional convention in order to replace the 1987 constitution with a worse kind of constitution. It wishes to obtain something far worse than the extension of the presidential tenure that Ramos had sought but failed to obtain in 1997. It is most interested in removing from the 1987 constitution what little national restrictions there are on foreign investments, the prohibition of foreign military bases and nuclear weapons and certain limitations on the suspension of the writ of habeas corpus, on the proclamation of martial law and on arrests, searches and seizures.

Under the pretext of putting the GRPNDFP peace negotiations on “indefinite recess”, the Estrada regime has in effect terminated these. It has told the NDFP that these can continue only if the NDFP accept the absurd precondition that the revolutionary forces capitulate and criminalize themselves by submitting to the GRP constitutional, legal and judicial system.

The NDFP upholds its revolutionary integrity and principles. It has forthrightly told the GRP that its precondition violates The Hague Joint Declaration and all previous bilateral agreements and that the GRP is looking for a way to get out of its obligations under the GRP-NDFP Comprehensive Agreement on Respect for Human Rights and International Humanitarian Law (CARHRIHL) and to avoid the discussion of the basic economic and social problems of the people.

The GRP Negotiating Panel has gone to the extent of declaring that Estrada has made a mistake in approving the aforesaid agreement and making the absurd demand that the NDFP correct the mistake by signing a document of capitulation and selfincrimination. The real intention of the GRP in its absurdity is to terminate the peace negotiations.

The Philippine reactionary government has utterly failed the test of the peace negotiations. It would rather end these than comply with its immediate obligations, such as the indemnification of the victims of human rights violations under the Marcos regime, the release of political prisoners, the repeal of repressive laws, the end of policies and practices that result in mass eviction and forced mass evacuations and the appointment of its representatives and nomination of observers to the joint monitoring committee.

The Estrada regime is hellbent on escalating counterrevolutionary violence against the revolutionary forces and the people while it hires and uses renegades for psychological warfare.

Campaigns of suppression by military, police and paramilitary forces are being intensified. Violations of human rights and international humanitarian laws are on the rise nationwide. The people and the revolutionary forces have no choice but to intensify their revolutionary resistance.

The objective conditions are growing ever more favorable for people's war. The grave socioeconomic and political crisis of the ruling system continues to worsen. Having strengthened themselves through the rectification movement and having consolidated and expanded their mass base, the Party and other subjective forces of the revolution are in a position to take advantage of the situation and raise the revolutionary struggle to a new and higher level. AB