PHILIPPINE CABINET RESIGNS LEAVING AQUINO FREE HAND. By Chaitanya Kalbag

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MANILA, Sept 9, Reuter - The Philippine cabinet resigned on Wednesday, giving President Corazon Aquino a free hand to reorganise her government as she faces the worst domestic crisis of her 18-month rule.

The mass resignation by 26 government ministers mirrored an identical move last November. Aquino used that opportunity to sack her rebellious defence minister, Juan Ponce Enrile, and four other ministers.

The exodus followed an emergency cabinet meeting a day after Aquino's Executive Secretary, Joker Arroyo, set off a furore by accusing three prominent businessmen and a senior army officer of undermining the government.

It came hours after a terse Aquino fended off reporters' questions about Arroyo's future. The controversial aide, a long-time family friend and one of her closest advisers, was among those who quit.

Finance Secretary Jaime Ongpin, who had earlier said the cabinet would have to examine Arroyo's accusations, said they were not directly related to the resignations.

But he replied "Yes" when asked if Arroyo was a factor.

Aquino's Press Secretary Teodoro Benigno said the wholesale action was decided upon at a "solemn and sombre" meeting.

The action also appeared to be aimed at defusing growing criticism of the government after the August 28 army mutiny which left 53 people dead and about 300 wounded in the bloodiest of five attempts to topple Aquino.

"This was a sort of spontaneous combustion. Nobody motivated it, not a single group," Benigno told reporters. "We all felt it was something we had to do. I felt personally it was a moral bone off my throat."

Benigno said the cabinet would continue to function until Aquino accepted the resignations. The president refused to tell reporters her plans for revamping the cabinet.

In another move designed to cope with the disarray in her government, Aquino said she would announce the members of a Council of State summoned to discuss emergency matters on Thursday.

The Council, first formed under U.S. colonial rule in the early 1900s, will include congressmen, business and civic leaders, military officers and government ministers.

Tuesday's outburst by Arroyo, a former human-rights lawyer who is widely regarded as anti-military, occurred at a congressional hearing called to probe charges that he interfered in military action that eventually quelled the attempted coup.

Arroyo said after the resignations he did not regret his statement to congress. The resignations had not been prompted by military pressure, he added.

Armed Forces Chief General Fidel Ramos, who is grappling with a deeply divided military, said "That's a big surprise" when he heard of the resignations.

Asked by reporters why he had resigned, Arroyo said his action was voluntary and added: "I'm happy."

The resignations seemed to have Aquino's approval but caught many ministers by surprise.

Defence Secretary Rafael Ileto said he could not say if they amounted to a cabinet purge and added: "We didn't talk very much. She (Aquino) just said 'well you know how it is' so we submitted our resignation. Ching Escaler (Aquino's appointments secretary) went around giving us each a blank sheet of paper."

Spokesman Benigno said Vice-President Salvador Laurel, who was in the southern city of Zamboanga as part of a nationwide tour to quiz soldiers on their grievances, had been told of the move and had resigned his post of Foreign Affairs Secretary.

Arroyo's resignation had been demanded by church and business groups, leading congressmen, and the colonels who led the coup attempt 12 days ago.

Asked if the resignations would appease restless military officers who have demanded urgent reforms, Ileto said: "In a way yes. There is a chance that what we are asking for will be given."

Arroyo had told Congress that the three businessmen and armed forces spokesman Colonel Honesto Isleta were enemies of the government whose campaigns to have him sacked amounted to "treason of the highest order".

The three businessmen were Raul Concepcion, twin brother of Trade and Industry Secretary Jose Concepcion, Cesar Buenaventura, President of Pilipinas Shell, and Roy Navarro, Chairman of the leading accounting firm Sycip, Gorres and Velayo.

"(They) are operating against the interests of the country by sowing intrigues which divide the civilian government and the military," Arroyo told the House of Representatives.

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