

# Aquino's Philippines government faces the Int'l Monetary Fund test

by Linda de Hoyos

On Monday, March 10, a delegation from the International Monetary Fund was scheduled to arrive in Manila to survey the Philippines economy and decide whether or not the new government of Corazón Aquino is to be eligible for \$620 million in a standby credit loan that had been denied to the deposed government of President Ferdinand Marcos last September. The new Philippines government's response to the International Monetary Fund, and the conditions that it lays down for advances in credit, will largely determine whether the Aquino government will become but a brief point of transition between Marcos and either a military dictatorship or a Sandinista-style takeover of the Philippines by the left and/or civil war; or whether the Aquino government will carry out its campaign promises and bring about a new era of national sovereignty and justice for the Filipino people.

As the London *Economist* admitted in its March 3 issue, "Among the outsiders most interested in Mr. Marcos's departure are the Philippines' foreign creditors." For the banks, President Marcos was a "wild card" that had displayed a growing potential to challenge IMF authority and force through measures for economic survival similar to those taken by Peru's Alan García. The banks hope, according to the *Economist*, "the Aquino government will get the country's economy growing again and enable it to pay its foreign debt."

However, if the Aquino government carries out the conditionalities set down by the World Bank and the International Monetary Fund, that hope will never be realized. In a 1984 report, the World Bank forecast that even if the Philippines government carried out the Bank's own prescriptions to the letter, it would not reach pre-1983 levels of domestic production and consumption until after the mid-1990s! Reviving the Philippines' productive economy is not the point, for the banks.

The Fund's demands for import tariff liberalization and the breaking up of the sugar and coconut government monopolies have as their objective to pave the way for the debt-for-equity wholesale buying up of the Philippines economy, in the same way the Fund has enabled the commercial banks to take the vacuum cleaner to the nation of Mexico.

If Mrs. Aquino accedes to deals with the IMF and the World Bank on the terms these supranational strong-arm

organizations set, then she will not only have doomed the Philippines economy and her government. An actual solution to the economic devastations that have hit the Filipino people since the banks cut off credit a month after the assassination of her husband, Benigno Aquino, is the *sine qua non* of stabilizing the country. It was President Marcos's delays in taking such action, that allowed his malefactors to finally bring him down. Mrs. Aquino has even less time to learn the same lesson.

The issue is already very much on the table. In an interview with reporters March 4, Finance Minister Jaime Ongpin declared that the Philippines wants its creditors to give the country "some room to breathe." He explained that the 50% ratio of export proceeds going to pay debt does not allow for growth—an implied threat to carry out a unilateral lowering of the ratio. The *Washington Post* nervously commented: "His [Ongpin's] language bore some resemblance to that heard in debt-burdened Latin American countries who are asserting their rights against the Fund." Ongpin himself went on to say: "The primary obligation is to make sure we can feed our people. I worry about that far more than I worry about paying foreign debt." Then Ongpin threatened that the banker-backed "people's power" in the Philippines could backfire completely: As a "private citizen," Ongpin said he might suggest that the loans contracted under the Marcos government that were then siphoned off for the private wealth of Marcos and his cronies could be repudiated by the new "people's power" government.

To counter these threats, the banks are relying upon central bank chairman José Fernández. As the *Economist* assesses the situation: "Mrs. Aquino has said she hopes the IMF and banks will be more sympathetic to a credible regime. Her advisers have said privately that she wants the country's debt payments to be limited to a percentage of its foreign exchange earnings. Bankers fear the new government will wish to appear tough. Their fears of debt populism may be exaggerated: Mrs. Aquino has reappointed the governor of the central bank, José Fernández, whom foreign bankers respect."

Fernández has signaled that he intends to continue the same role he played in the Marcos government, upon which he was foisted by an IMF-dictated banking reorganization.

On March 3, the central bank chief announced that he expected the Philippines to meet IMF conditions: "We are comfortable that the system is responding to the policy we have chosen to use, and while we are still some way from the IMF program targets for March 31, we do not believe that the deviation or slippage, if the measures continue to take effect as they have in the last week, will be all that significant."

But Fernández is fast finding himself the focus of anti-IMF resistance within the government coalition. In an open letter March 3 to Aquino, the Alliance of Bank Employees, Bankers, and Businessmen for Economic Liberation, which formed one of her key bases of support, called for Fernández's ouster from the government. Fernández's tenure is inconsistent with Mrs. Aquino's pledge to clean out all vestiges of the Marcos regime, says the businessmen's open letter. The Alliance accuses Fernández of having been at the forefront in imposing usurious interest rates on the Filipino economy, "higher than those in other countries," which have helped to destroy the productive economy. This policy, the letter states, cost tens of thousands of Filipinos their jobs. He also permitted the printing of junk money and aided capital flight from the country.

How can Mrs. Aquino expect to fulfill her campaign promise of a full employment program with Fernández in the saddle at the central bank, the letter asks. At the Feb. 27 victory rally in Manila, leaflets were circulating demanding the central bank chief's removal.

### Political quicksand

The fight against Fernández, although blacked out of the media outside the Philippines, is the key internecine struggle within the new government. If Fernández should win, then the centrifugal forces already pulling at the government coalition, will quickly gather strength.

The coalition that brought Mrs. Aquino to power had one agreement: Remove Marcos. With that accomplished, the anomalies within the coalition have risen to the surface.

On the one hand, Mrs. Aquino's cabinet retains two key elements of the Marcos government. First is the military, led by Defense Minister Juan Ponce Enrile and Chief of Staff Gen. Fidel Ramos, who pulled off the U.S.-directed coup that brought Aquino to power and who will undoubtedly not fail to remind her of that fact at critical points in the factional strife already begun.

Second is the pro-IMF banking community represented by Fernández. This grouping overlaps with the large *latifundista* and banking families epitomized by Finance Minister Jaime Ongpin, and Aquino's own family, the Cojuangcos. In both these cases, a family member has been prominent in both the Marcos and Aquino camps.

There are two new additions to the Aquino grouping. First is Salvador Laurel, vice-president, prime minister, and foreign minister. Laurel, scion of the dynastic political family that collaborated with the Japanese, is the chosen favorite of the U.S. State Department, and his ambitions for the

presidency reach so far that he seriously contemplated, according to sources, the assassination of Aquino. Laurel is placing extreme pressure on Aquino for more cabinet posts for his Unido party patrons; he was originally promised 50%.

The other component is the Laban-PPD party of Mrs. Aquino and the leftist Bayan Party, that has lines running into the Communist Party. This left wing, with strong ties to the Ramsey Clark human-rights mafia, is already at loggerheads with the military.

The coalition equation does not add up; unless Aquino rallies the population to her with an economic program that puts the nation's survival first, the Philippines will not survive the end of the Marcos era.

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## Documentation

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*President Ferdinand Marcos on Feb. 28 delivered the following statement to the press, which gave it short shrift in coverage:*

My beloved countrymen:

I am now at Hickam Air Force Base, Hawaii, under the hospitality of the United States government. We are presently looking for private quarters to rent or lease and will leave this base to move there as soon as arrangements have been made. We have been accommodated very comfortably and treated with utmost respect and generosity.

When I left Malacanang Palace, I had decided to move to Laoag City in Ilocos Norte, my home province. However, shortly after arriving at Clark Air Force Base I was informed by President Reagan's direct representative that we would have to leave for Guam instead.

I need not explain to you the situation that developed when elements of the defense and military establishment took steps to take over government authority. This created the need to decide whether to eliminate them with military force or negotiate.

This situation came to a point that although I had control of superior military power and several opportunities to employ it, the employment of such an overwhelming force, no matter how legitimate, would have resulted in the bloody carnage of innocent civilians.

I have been called brave in my time, perhaps immodestly, but brave as I may have been against foreign invaders, I have no heart to shed Filipino blood. My life has been devoted to the upliftment of the Filipino by re-establishing his identity and dignity. And so knowing to use my authority to protect the Filipino people.

Now from where I am, I implore you never to forget the ideals and noble objectives which we will attain only through the peaceful unification of our people.

I remain your humble servant,

Ferdinand E. Marcos