

Economics takes center stage in Manila

by Our Manila Correspondents

The Filipino peso is sinking fast, 30% since July 11, when it collapsed 10% in a single day. The stock market is close behind, down 35% since the beginning of the year. Rumors of a bank crisis cause sporadic panic, and minor bank runs. Government has its hands full quelling speculation. Several bombings have hit Metro Manila, the center of this nation of 70 million people, and more than 40 bomb threats unnerve its citizens. In the midst of this, some 600,000 people massed in Manila, and 400,000 more in the provinces on Sept. 21, for a protest demonstration-cum-commemoration of the 25th anniversary of the imposition of martial law by President Ferdinand Marcos in 1972.

Cardinal Jaime Sin of the Catholic Church, the only institution powerful enough to rival the government, called for the million-strong prayer rally to demonstrate opposition to attempts by President Fidel V. Ramos to institute constitutional or “charter change”—called “ChaCha” in Manila. Former President Corazon C. Aquino joined Sin and led the broad-based coalition of forces, including shades of the communist left and military right, in the run-up to the Sept. 21 rally. Daily noise barrages, including people honking car horns and beating pots and pans, marked the 6 p.m. Angelus.

Ramos’s regime used psychological warfare tactics to scare participants away from the rally—from raising the communist bogeyman, to spreading rumors of violence and bloodshed reminiscent of the 1971 Plaza Miranda Bombing (in which two grenades exploded at a rally of Marcos’s foes, decimating the leadership of the political opposition). This has not dampened the growing mood of disenchantment and activism among Filipinos, who joined the protest—men, women, and Catholic schoolchildren.

On the eve of the rally on Sept. 20, following an event in General Santos City, Mindanao, Ramos yielded to his opponents, giving his strongest pledge yet that he will not seek a second term, and urged that any “ChaCha” change occur only after the May 1998 elections. But what underlies the mass mobilization against “ChaCha” will not subside so easily. The immediate issue is the lifting of term limits for elected officials, set by the 1987 Constitution: one six-year term for the President, two consecutive six-year terms for senators, and three consecutive three-year terms for congressmen and local officials. Even the ultra-establishment Makati Business Club rallied against the prospective change.

Those out to stop Ramos are doing so for varying reasons.

Cardinal Sin is relentless in his accusation that Ramos intends to be another Marcos; the left intends to exploit political instability; Cory Aquino and her former cabinet members see a new opportunity to slide back into power by denouncing the evil and immoral designs of Ramos. All eight “presidentiables,” or would-be candidates for President, have found common ground in preventing the emergence of another “dictator,” despite the fact that all, without exception, have lauded Ramos for his successful implementation of International Monetary Fund (IMF)-dictated economic reforms.

Opposition from Katapat

Katapat, a cross-sectoral association of 32 organizations, representing producers and consumers, in trade, manufacturing, agriculture, and retail and social services, is among the few organizations which oppose the continuation of Ramos’s tenure and ChaCha because it means continuation of the destructive economic program of the IMF and World Bank. Katapat is the only organization that has consistently challenged rosy Presidential pronouncements on economic performance, and has warned repeatedly of underlying financial vulnerabilities, which, since July 11, have been forced to the fore in the general consciousness (see *EIR*, Aug. 8, 1997, p. 63.)

The situation today has vindicated Katapat, as the economy reels and government finance managers look for bailouts from the international financial institutions, while the IMF presses its package of trade, tax, and budget reforms. The Philippines is already the most “liberalized” economy in Southeast Asia, having “polevaulted” ahead of its neighbors. Eleven domestic production sectors are now endangered species, clamoring for government to put the brakes on import tariff reductions, which have been implemented faster than in other Association of Southeast Asian Nations members. Economic Planning Secretary Cielito Habito instead announced the reduction will continue regardless of the current crisis.

Jitters over the banking system are fueled by reports of heavy exposure of Philippine banks to dollar-denominated loans lent to unproductive projects. Deutsche Morgan Grenfeld (DMG) issued a report in early September saying that such loans amount to \$12 billion, a little more than the entire foreign exchange reserves of the Bangko Sentral ng Pilipinas (BSP, the central bank), and much of this is in real estate, where the pressure on borrowers is heating up. The BSP may denounce DMG’s gloomy forecast, but the implications, in light of the volatility of currency markets, has not escaped local observers.

A debate is raging whether to tax foreign currency deposits. One side fears the exodus of dollar investors; the other believes a tax will only discourage “hot money” portfolio investment, which has created regional currency turmoil. Critics of the current policy of no tax on dollar deposits point out that peso depositors, mostly small and medium-sized depositors, are taxed, which raises the issue of equity and justice, in a situation where big speculators continue to enjoy

tax-free status.

Oil price hikes loom again just two months after the last increases, despite declining Singapore Posted Price and world market trends, a situation most people blame on the recent deregulation of the oil industry. Another hike will spark an inflationary wave that will be triggered by transport fare increases, which the jeepney (bus) drivers' organization, Piston, has announced it will demand, if oil prices go up. During the last increases, jeepney drivers conducted a strike that crippled 50% of Metro Manila and 90% of provincial transport. Prices of basic commodities are poised to follow transport fares skyward.

Congressman Dante Tinga, architect of the oil deregulation bill and free trader, has proposed a separate dollar rate for the oil companies to forestall price hikes. What will the IMF say to this variation on currency controls through prioritization and allocation of dollars?

Worsening economic troubles ahead

In agriculture, the El Niño hitting during the last quarter of the year and extending to May 1998, is expected to be worse than ever before. The government is preparing to import up to 1 million tons of rice in anticipation of major production shortfalls. While crises mount domestically, the country faces the bleak prospect of declining remittances from overseas contract workers, which is the government's biggest source of foreign exchange earnings. The confluence of all these events, compounded by the politically unstable situation in the southernmost island of Mindanao, casts a dark shadow over the Ramos administration—its days may be numbered.

The most popular question in *kapihan* (pundits' coffee-shop caucuses), is how low the peso can go. At this writing, the peso is hovering at 33-34 to the dollar. The most sensible answer, is to shave off one or two units from the Thai baht rate, or 36 pesos to a dollar, in the next few months, as recent patterns show.

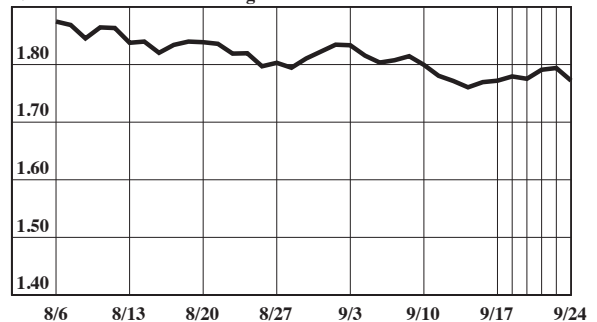
Meanwhile, business pages in the Philippines carried the response of IMF Regional Director for Asia and Pacific Kunio Saito, to growing criticism of IMF failures that have resulted in the most recent currency turbulence. Saito said, "I think the IMF is the only organization the region has at the moment and our hope is that the IMF can do a better job."

Hope springs eternal, but the record of the IMF is dismal, and this naked truth shows unequivocally in its record here through the Marcos, Aquino, and Ramos regimes—liberalization, privatization, and deregulation, to the detriment and eventual collapse of national economies. To this region, declining productivity worldwide, and ballooning financial aggregates, are evidence of this failure. A financial crisis is about to erupt globally, because of IMF policies. For this reason, the IMF cannot be the "only" international multilateral financial institution for world financial management. The nations of the world, especially the Third World, should take the necessary steps to create a new one.

Currency Rates

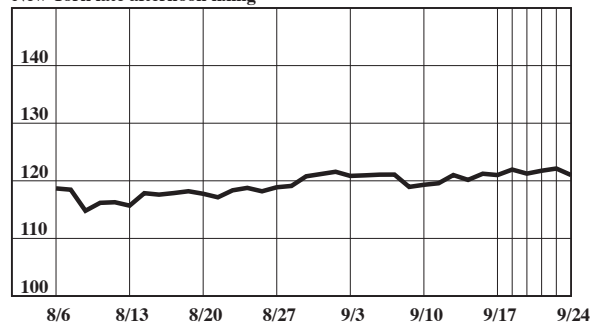
The dollar in deutschemarks

New York late afternoon fixing



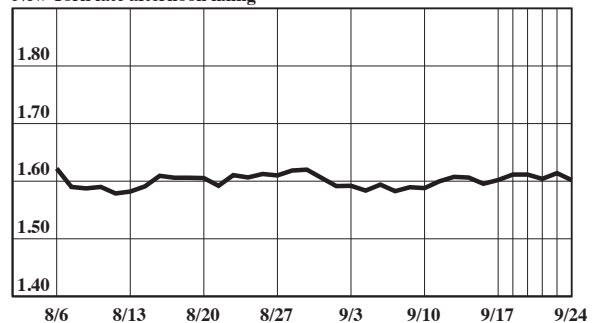
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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