# The Philippines under IMF siege

A firsthand report from Manila on the political effects of the economic crisis, by our correspondent Ramtanu Maitra.

On Aug. 21, the first anniversary of the death of former Senator Benigno Aquino, Jr., hundreds of thousands of Filipinos took to the streets of Manila in the early morning to assemble at Rizal Park to eulogize the slain senator. However, the opposition leaders who addressed the assembled crowd in the afternon spent very little time paying homage to the late senator. Instead, the forum was used to pile heaps of abuse on the ruling Marcos administration and to call for its removal. It became clear to me, a bystander amid thousands of people, that, to the politicians there, Aquino is a mere symbol, useful in helping to incite the crowd to topple the present regime. But the crowd remained peaceful. They cheered, and often booed, the demagogues.

One speaker after another, most of whom spoke in Tagalog, the *lingua franca* of the Philippines, harangued and blamed the Marcos administration for economic boondoggles, military oppression, and corruption. But throughout it rang out loud and clear that it is not only the Marcos administration that was the target of the speakers but also the United States, the International Monetary Fund (IMF) and World Bank, and the Philippines military. Many speakers harped on the theme that it capitulated to the IMF-World Bank *diktat* under pressure from the United States. The only solution presented by them is the removal of the Marcos administration. No one had better ideas. But the people cheered anyway.

I later found that to verbally abuse the IMF-World Bank in the Philippines nowadays is as natural as breathing air. Everyone talks about it, but also admits that he does not know how to remove the scourge. Even within the government circles, I learned in my four-day trip to Manila, sentiments against the IMF run high. But the state machinery, a part of which is actively working for the IMF, has become helpless, many admit. That day at Rizal Park, no one had the answer.

## The state of the economy

Within two weeks after the murder of Aquino, the banks pulled the plug on the Philippines economy, cutting off the country's credit line and forcing it to go to the IMF. Today, the Philippines is neck deep in foreign debt and the debt is piling up every day, putting increasing strain on the country's foreign-exchange reserves. Manila defaulted on its $26 billion foreign debt—$7 billion of which belongs to the government and the balance to the private sector—last October and is still making only delayed interest repayments while seeking a $650 million standby loan from the IMF.

The IMF's loan approval is being awaited by some 430 private lenders, foreign governments, and multilateral agencies from which Manila is asking $3.3 billion in new loans and a restructuring of old debts. There is a great deal of fear among the bankers that the Philippines economy would literally collapse if the loan is eventually disapproved. The IMF has sensed the fear and urgency and is sharpening its knife to get the promised "pound of flesh" in the form of implementing IMF conditionalities before approving the loan. Even after Marcos had implemented a new austerity program following the May elections, including a 20% devaluation of the peso, the IMF demanded more. As the people were assembling at Rizal Park, the IMF delegation, headed by Herbert Neiss, was in Manila for further arm-twisting. They left without approving the loan, but were happy that the parliament of the streets—the opposition that boycotted the May elections—is gaining strength.

As of this writing, the government and the Fund are reportedly close to signing a letter of intent that would release some funds for the besieged economy. In the meantime, the Philippines economy is falling through the floor. The prices of copper and sugar, two major export items of the Philippines, have reached a new low. Bank failures in recent months have made the depositors wary of the inadequacies of the financial system. Although monetary authorities are assuring that the bank deposits, including those with failed banks, are insured with the government-owned Philippines Deposit Insurance Corporation (PDIC), the Central Bank, which is now under top-down control of the IMF, has indicated otherwise. Central Bank Senior Deputy Governor Gabriel Singson told a combined Rotary Club meeting in Manila recently that "when a bank is found to be insolvent, the Central Bank has very little choice under the law except to close the bank and place it under receivership."

The effect of such an unstable financial situation can be best appreciated by following the state of the Makati Stock Exchange. Its treasurer, Irving I. Ackerman, told a newsdaily while I was in Manila that the stock market is facing its "most critical situation in the last 20 years." At the stock exchange sellers outnumber buyers by almost 2 to 1 because businessmen have been forced to raise money by disposing of their shareholdings since the banks are in no position to lend money. Meanwhile, the Central Bank, in its effort to soak up "excess liquidity" from the market—a policy dictated by the IMF as a precondition for obtaining the $650 million loan approval—has become the biggest competitor to the stock market, offering investors Central Bank Certificates of Indebtedness (CBCIs) at a 28% interest rate, tax free. Out of 105 stockbrokers at least half of them have already collapsed, while the others wait helplessly for total liquidation in the near future.

The real economy has virtually ground to a halt. The official Philippine currency, the peso, has lost more than 50% of its value due to three devaluations (carried out since June 1983 to meet IMF demands. Officially, the peso sells at 5.5¢—it has been floating against the U.S. dollar since last spring. Out at every roadside in Manila, a single U.S. dollar fetches as high as 22 Filipino pesos. The real wage of the population has been halved, and inflation is presently running close to 50%. The Philippines' main foreign exchange earners such as copper ore, sugar, timber, coconut, and other commodities could not keep up with the constantly lowering peso-dollar parity and are bringing in less foreign exchange than before. Meanwhile, import costs for the most basic industrial products—the Philippines has no machine tool or other basic industry—are soaring. Tightening of bank loans has also helped to create a large jump in unemployment which according to some reports, is running as high as 30%.

## A substantial drain to foreign exchange

Rackets organized to drain foreign exchange have sprouted all over the archipelago. Tourist dollars are soaked up right at the source and never reach Philippine shores. Private importers, with the help of established machinery in the United States and Hong Kong, are overvaluing their imports while the exporters, the garment industry in particular, are undervaluing their merchandise. Both groups are involved in converting pesos into dollars and stashing them away in some safe haven in a Swiss bank or American real estate. The government, desperate for foreign exchange, is refurbishng its tourism industry only to find the foreign exchange salted away. According to reliable sources, Japanese tourists, the largest single nationality by far, leave their yen with the tour organizers in Japan and are given peso equivalents in the Philippines to spend during their travel. In short, capital flight is in full swing and the economy.

The racket to deprive the nation of the much-needed foreign exchange continues to grow. A large number of Filipino workers in the Middle East—about 250,000—are now transferring money through Hong Kong, where the dollar stays while the pesos are handed over to their relatives in the Philippines. Another substantial drain to the foreign exchange has been caused by the foreign investors. A Central Bank study released in 1979 showed that royalty payments and profit remittances, mostly by transnational corporations in the Philippines such as Del Monte Corporation, Dole Philippines, Unilever, Proctor and Gamble, San Miguel Corp., Pepsi Cola, Mead-Johnson Phil, and Pfizer, etc., used up a major part of their foreign exchange incomes. As a result, the 41 corporations covered by the study "spent" about $4 for every dollar they earned. In 1982 alone, the country paid out about $109 million in profits, earnings, and dividends to non-residents. Another study conducted by the University of the Philippines Law Center indicates that during the period 1964-73, the total negative outflow resulting from the transnationals' profit repatriation amounted to $2.8 billion.

It becomes evident from these figures that the crisis had been allowed to grow so that the IMF can exercise complete control over the Philippines—both politically and economically. According to Cora de la Paz, vice-president of the Financial Executives Institute (Finex), the Philippine economy will experience a negative growth rate in this fiscal year. "Multinationals are not really experiencing difficulties. You ask them and they say they are doing great, never any better," de la Paz said.

The Central Bank's role under the present circumstances has raised many eyebrows. It is rumored openly in Manila that Chinese bankers (with their branches in Hong Kong and the United States) having allegiance to the Taipei government, have been allowed by the Central Bank to orchestrate capital flight. The rumor, however, appears to have some validity. The two organizations often named are the Tan-Co group and the accounting firm of SyCip, Gorres, and Velayo. The Tan-Co group, a Chinese-Filipino group headed by the tobacco tycoons, Lucio Tan and his associate Willie Co, organized the Allied Banking Corporation in 1977. Within a month, the Allied Banking Group was granted a new banking license by the Central Bank which allowed the group to establish and operate a trust department. In the years that followed, the Central Bank has upgraded its banking licenses to include authority to operate a foreign currency deposit unit, and culminating in the issuance of a universal banking license to the Allied Bank. Since then, the Allied Bank has grown fast, increasing its deposits from 75 million pesos to 5.2 billion pesos at the end of June 1984.

Behind the growth of the Allied Bank are the companies in the Tan-Co group such as Fortune Tobacco Corporation, Foremost Farms (the largest piggery in Asia), Asia Brewery, Paragon Electronic (major exporter of radios and cassettes), and Grandspan. Allied Bank has branches in London, Bahrain, and Guam plus representative offices in Tokyo, Singapore, and Sydney. The Allied Capital Resources of Hong Kong is the only licensed deposit-taking company from the Philippines. Allied also has an affiliate in the United States—

the Oceanic Bank—which was set up in California in 1981.

If the Allied Bank acts as the Chinese conduit to flush dollars out of the Philippines, SyCip, Gorres, and Velayo (SGV) acts as the on-the-ground controller for the IMF. Besides launching such luminaries as Cesar Virata, who has had the double responsibility as prime minister and finance minister since 1981 and as finance minister since 1970; Robert Ongpin, the industry minister since 1981; and the former central bank governor Jaime Laya who is now the minister for education and culture from their payroll in the earlier days, SGV is the IMF's designated accounting firm and figures prominently in almost all IMF loans to the Philippines. In fact, that SGV should be the agent for the loan is frequently a condition of the IMF. SGV also evaluates the Philippines' loan applications to both the IMF and the foreign commercial banks.

Control of the Chinese bankers over the Philippines economy perhaps goes beyond the Allied Bank and SGV. The current central bank governor, José Fernández, whose loyalty to the IMF is absolute, also belongs to the same crowd. He was formerly head of the Far East Bank which is also controlled by Hong Kong capital.

In addition, one of the SyCips, Washington SyCip, has set up shop in Washington, D.C. He has become an American citizen in order to, according to him, avoid double taxation. He has, as one might expect, close ties with the IMF-World Bank crowd in Washington.

## What is the opposition?

Today almost everyone in Manila mouths the anti-IMF litany. Judging by what they say, it is impossible to determine whether it is anything more than opportunist rhetoric. Salvador Laurel, for example, the head of the UNIDO coalition, gives fiery speeches calling for the removal of the Marcos administration so that the opposition can have a better footing to deal with the IMF. What Laurel means is anybody's guess. But when he was in the United States last spring, he was wined and dined by State Department officials and Ramsey Clark, the same crowd that is orchestrating the "Iranization" of the Philippines (see *EIR* April 3, 1984, Vol. III, No. 13) under IMF auspices. The old guards—some in Manila call them the blackguards—of the Philippines opposition, such as Lorenzo Tanada and José Diokno, are now opening ties with such international Soviet-funded groups as the West German Green Party, which violently promotes the destruction of the Atlantic Alliance, and the American Indian Movement, a brainchild of the human-rights people, Amnesty International, and the Brzezinski-controlled Richard Falk.

The opposition can be divided into two broad categories—the visible opposition and the invisible opposition. The visible faction is led by the parliamentary opposition (there are 58 elected opposition leaders in the Batasan) and some leaders of the "parliament of the streets." It is generally believed that the parliamentary opposition is moderate, and, when push comes to shove, will back off from its virulent anti-Marcos stance. According to Aquilino Pimental, a Jesuit-trained leader of the PDP-Labor Party in the Batasan, no more than 20 parliamentarians would maintain their anti-Marcos posture under pressure.

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Pimental, a rising star according to some, himself drew great cheers at the rally when he advocated combining the parliamentary opposition with that of the streets. Another leader, Hombono Adaza (Mindanao Alliance, Misamis Oriental), also foresees that "the younger, more nationalist oppositionists" in the Assembly will gravitate toward the parliament of the streets. Adaza indicates that the older oppositionists will not be able to keep control over the situation for long.

The so-called parliament of the streets is a complex alliance, consisting of such unknown elements as Agapito Aquino, who became a "political leader" after he left his TV-acting career following his brother's assassination. Aquino has linked up with the Tanada-Diokno crowd in the Coalition of Organizations for the Restoration of Democracy (CORD), a left-leaning human-rights group headed by Lorenzo Tanada. Makati businessmen, who are severely affected by the steady economic devolution, have also taken to the streets, adding a great deal of color to the show. These are again animals of vague stripes. Aquino's widow, Cory Aquino, is also a member of the parliament of the streets, but unlike Agapito, she supported active participation in the May elections. Cardinal Sin, the patriarch of the Catholic Church, has long been in the anti-Marcos camp, and he is now openly "blessing" the street parliamentarians.

However, the motley composition of this coalition has made it a meeting place for a radical, anti-American current of people who fundamentally believe in the Marxist form of government and immediate and total removal of the U.S. bases. It is this faction that is fed and reared from the United States itself by former U.S. ambassador to the Philippines, William Sullivan, by Ramsey Clark, and by Rep. Stephen Solarz (D-N.Y.).

The Kissinger factor in the Philippines looms larger every day. Former Ambassador Michael Armacost, who played a key inside role against the Marcos administration, has been promoted to Undersecretary of State, replacing Lawrence Eagleburger, who is now director of Kissinger Associates. While recently back in the Philippines, Armacost, who is himself also a Kissinger protégé, visited Marcos and discussed with him the State Department's concerns over his succession. Needless to say, the President did not appreciate that. Current U.S. Ambassador Stephen Bosworth is also a Kissinger crony and is controlling all flows of information into the Marcos administration from outside the country.

The policy pursued by the Solarz liberals and the Kissinger insiders in the Philippines converges on one aim: the continuation of the U.S. strategic withdrawal from the Pacific that was enunciated in Kissinger's 1969 Guam doctrine. Despite the word coming from the United States that the Reagan administration is looking for a "viable, moderate" alternative to Marcos, there exists no alternative that would provide solutions to the economic crisis, nor would the current policies of the Reagan administration permit such a new government to do so. Marcos, whose 19-year rule has nearly made him a national institution, was correct when he told the opposition members in the parliament that if the Marcos government were swept aside, power would quickly go straight to the communist insurgents of the New People's Army and its political arm, the National Liberation Front.

This section of the opposition has gained significantly in the last year. This group consists of the Communist Party, the PLA, the radical faction of the Catholic Church heavily represented by the Jesuit and Maryknoll orders, the Muslim secessionist group known as the Moro National Liberation Front, and various tribal minorities controlled by the radical faction of the liberation theologists. The last group is also handled by the Amnesty International-human rights crowd through Tanaka and Diokno.

These groups also represent the interests of the Soviet Union in the Philippines: to decouple the country from the United States, remove the bases, and gain full control of the Pacific militarily. Moscow—and the U.S. State Department along with the "Iran" crowd—is working on assembling and deploying a coalition that is not much different from that of Nicaragua. Once they are able to destroy the country's political institutions—and for that, the removal of Marcos is the precondition—the rest is easy. The IMF conditionalities will set the stage for the radical takeover.

The proliferation of red banners at the Rizal Park Aug. 21 rally shows that the influence of the CPP within the parliament of the streets is gaining ground. The party, which has some strength in the rural areas, is now moving cadres into the student, labor, and other groups in the cities under the guise of participating in the Aquino movement and slowly gaining a foothold in Manila politics.

Its military arm, the NPA, is meanwhile exerting pressure on the military in the provinces. According to Defense Minister Juan Ponce Enrile, the CPP and CPA are now trying to operate in large numbers in an attempt to shift from small-unit guerrilla operations to what is called "regular mobile warfare" to set up the "primary precondition to the attainment of a strategic stalemate as conceptualized by revolutionary strategists, like Mao Ze Dong and Ho Chi Minh."

In the countryside, the CPP and NPA are also involved in neutralizing the centers of production and employment. One such tactic is to destabilize and take over local village councils by sending in squatter families to settle in the targeted villages. Even in the Metro-Manila area, such an incident occurred recently, forcing the neighboring village leaders to resign. There are also extensive reports about the NPA's increasing cultivation of marijuana in its controlled area to generate cash for buying guns and ammunition.

## Where does the Marcos administration stand?

When the house catches on fire, some simple folks, instead of calling the fireman, get busy removing the few valuables they have while the house burns down around them. From the facts presently available to this writer, it is impossible to come to any other conclusion but that the Marcos administration's policy is analogous. So far no comprehensive plan to stop the cancer has been presented. Some time back, Manila newspapers flashed on the front page a story on the SGV's tax evasion. A few days later, the story was allowed to die when it was discovered that the government prosecutor had "lost" the damning file.

Last Christmas, when the market was running dry, the administration decided to pump some cash into the financial markets. Again in April, to the dismay of the IMF et al., the administration pumped in about 5 billion pesos to relieve the pressure. Now everyone is up in arms about the "excess liquidity" that is supposedly jacking up the inflation rate.

These are half-hearted and ineffective measures. It is the case that the current political opposition does not have the organized strength to bring down the Marcos government. Nor do the armed guerrillas of the NPA have the strength to overrun the government. But if the President does not move decisively against the International Monetary Fund along the lines put forward in Lyndon LaRouche's Operation Juárez call for a debtors' cartel, he may be able to buy time, but he will not be able to save his government or his country.

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