State to Marcos: Devalue or else

by Linda de Hoyos

The State Department has laid down new conditions, relayed through Ambassador Stephen Bosworth, for continued U.S. "support" of the government of President Ferdinand Marcos, which include a further devaluation of the Philippine peso. This is like supporting a man by tying him up on the rack.

The program that has been imposed on the Philippines since 1983 by the International Monetary Fund, which has a lot of State Department "input" according to State officials, has already nearly broken the back of the Philippine economy. The IMF forced a peso devaluation early in 1983, reciting the standard IMF line that devaluation will lead to greater competitiveness on the world market, and hence greater exports. This, in turn, is to bring in increased foreign exchange, that can be used to guarantee payment of the country's foreign debt.

Nothing of the sort has happened. According to figures released by the National Economic and Development Authority, the country's exports in the first six months of the year fell by 10.6% from the 1984 first semester. The decline for the whole year may be expected to range from 10.8% to 17.6%. The NEDA had earlier projected, based on IMF promises, a rebounding of exports by 10%.

The Philippines has a manufacturing export base in micro-chip production and textiles, among others. Industry and government sources point out that exports have fallen because the domestic monetary policies—high interest rates, also demanded by the Fund—have pulled the economy to its worst pre-war recession and made export production highly expensive. Thanks to the devaluation, imports in the first six months of 1985 have declined by 10.4%, forcing a sharp cutback in the purchases of raw materials needed for export production.

In addition, nine months of stalling by commercial banks on granting trade credits to the Philippines means that mechanisms for importing will not translate into actual funding for imports until the beginning of next year, at the earliest. In the meantime, many Filipino industries have either slowed down, or ceased production altogether. In the last year, industrial production has fallen by 17%.

Exports of the Philippines' traditional commodities—sugar and coconut—have also continued to plummet. In the case of sugar, the country is now selling sugar for 3¢ a pound, when production costs are between 14-16¢. The Philippines Coconut Authority further reports that exports of coconut products have fallen by a drastic 38.2% in the first six months of this year.

Given the expected downturn in U.S. imports, as the cheap-import-led U.S. "recovery" grinds to a halt, and the increasing threat of protectionist measures against particularly the textile industry, Filipino officials see no possibility of reversing the downturn.

Marcos takes the rap

Even conceding the State Department's commitment to IMF policies, Bosworth et al. are fully aware that if the Marcos government meets U.S. conditions, which include reform of the military, reform of the election process, and the break-up of the sugar and coconut monopolies, the destruction of the government is assured. Bosworth et al. know that it is Marcos who is taking the rap for the destruction of the Philippines economy.

In a speech July 28, for example, former Foreign Minister Arturo Tolentino demanded that Marcos step down because his—that is, the IMF's—economic program has reduced the country to a shambles. "We are made to believe that we are on the road to recovery," said Tolentino. "So much emphasis is given on help from outside. . . . It is as if the Filipino people can no longer help themselves. . . . We practically surrendered a great part of our sovereignty just to get help from outside."

The fact that the IMF's promised recovery is nowhere in sight, rebounds back to destroy the credibility of Malacanang Palace. Marcos confronts major opposition coming from both businessmen, especially in the Makati district of Metro-Manila, and from the trade unions. The communist May 1 Movement, the trade union arm of the New People's Army, commands the allegiance of no more than 60% and no less than 30% of trade unionists.

The major source of Marcos's staying power is the lack of unity and economic program in the opposition. As *EIR* has reported, Ambassador Bosworth meets regularly with the various factions of the opposition, coordinating its activities.

The Marcos government is not unaware of the State Department's duplicity. In a statement Aug. 19, acting Foreign Minister Pacifico Castro charged that the United States has violated its mutual defense pact with Manila, by meeting with the leadership of the separatist-terrorist Moro Liberation Front. Castro reported that the U.S. embassy had refused to reply to his demands for an explanation of the meeting, in which Moro leader Dimas Pundato, self-exiled in Libya, met with officials of the State Department, the National Security Council, and the Pentagon. Castro declared that the meeting was not only "unusual" but "unfriendly," and a violation of the 1951 mutual defense treaty. "We asked for an explanation because the MNLF faction that is abroad is bent on secession," said Castro. According to Washington sources, the State Department not only met with the Libyan-backed separatists, but also promised them funding, if they came out against the Marcos government.