Philippines heads for Mexico-style financial blowout

by Gail Billington and Dennis Small

In presentations in Manila on Nov. 20-25, 1995, *EIR*'s Ibero-American Intelligence Director Dennis Small intervened in a discussion that has been ongoing in the Philippines since the December 1994 blowout of the Mexican financial system. Will the Philippines be the next Mexico?

Small's answer was, in the words of leading journalist and talk show hostess Jullie Yap Daza, "what they have been afraid to hear, but keep hearing anyway, and only half-believing half of what they hear."

Yes, Small said, the Philippines could well be behind another dozen countries going Mexico's way. What blew out the Mexican economy was not something *in* Mexico. It was the global speculative bubble, epitomized by the derivatives crisis, which will blow out the entire world financial system, and every national economy therein, especially those countries that have thrown their doors open to this financial cancer. The biggest threat to the Philippines, he added, is that people in Manila are thinking the way Mexicans thought before December 1994. "A gigantic financial tidal wave is about to break on Third World countries," and they refuse to see it coming.

The following package fills out the answer Small gave his audiences in the Philippines, illustrating that the direction of the Philippine economy closely tracks that of Mexico. The international debt bomb that blew up in Mexico in 1982, in large part, also blew up the Marcos government in the mid-1980s. But it is the commitment of successive Filipino governments to carry out International Monetary Fund (IMF) free-trade policies, picking up momentum after the early-1986 ouster of President Ferdinand Marcos, and escalating exponentially since 1992, that is driving the Philippines to be next in line behind Mexico. In both cases, the speculative cancer has been welcomed, while the underlying physical economy has been decimated.

Small was invited to Manila to present *EIR*'s analysis of the Mexican crisis to the Nov. 23 founding convention of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), roughly translated, the Movement of Mutual Support of True Filipinos. Katapat is the latest in a long line of movements in the Philippines, brought together

Dennis Small of EIR *addresses the founding conference of the Katapat movement in Manila, Nov. 23, 1995. The Katapat emphasizes that "the Filipino should be the sole determinant and principal beneficiary of the Philippines' economy."*

to defend national industry and agriculture against the IMF/World Bank-sponsored "trade liberalization" and "structural adjustments." Katapat brings together, particularly, small and medium-sized businesses in the retail trade sector, agriculture and industry, labor and non-governmental organizations (NGOs).

Small wrote *EIR*'s report, "How LaRouche Knew the Mexico Debt Bomb Would Explode," which summed up what *EIR* had warned, since 1991, *had* to happen in Mexico by the end of 1994. With Small in Manila, was Gail Billington, human rights representative of the Schiller Institute, to present the campaign for exoneration of Lyndon LaRouche, Small, and her husband, Michael Billington, who is imprisoned in Virginia serving a 77-year sentence on trumped-up charges of "securities violations."

In all of his presentations, Small reported that LaRouche and several associates were made political prisoners of the Bush administration for telling the truth about the bankruptcy of the IMF system and organizing a worldwide movement to replace it, among other reasons.

Whistling past the graveyard

What Small said in November 1995 picked up on a discussion *EIR* had initiated in Manila in December 1994, just as the Mexican peso crisis and the Orange County, California derivatives debacles were breaking into international headlines. At that time, *EIR* economics writer Richard Freeman had presented LaRouche's Ninth Economic Forecast, identifying the cancerous growth of derivatives speculation as symptomatic of the advanced stage of decoupling of financial speculation from the physical economy. He warned at the time that when the derivatives bubble burst, it would bring on the collapse of the IMF/World Bank monetary system.

Where one year before, this analysis was met with some incredulity, the tenor of discussions in November 1995 was highly concentrated and engaged. Financial markets in Manila and the rest of Asia had been rocked by sudden withdrawal of funds to cover losses from the Mexico crisis in first quarter 1995, and remain depressed. Twice in the first quarter, the Philippines Central Bank had suspended trading in the peso. The collapse of Britain's oldest merchant bank, Barings PLC, in Singapore in March, had wiped away most remaining skepticism. Barings was one of the biggest traders in Manila.

Since then, government spokesmen and others have been at pains to point out the supposed differences between Mexico and the Philippines. For example, Howard Handy, Manila representative of the IMF, told the London *Financial Times* in March 1995, "I have yet to hear a serious or respected economist argue that there is a parallel between the Philippine and Mexican economies." When in February 1995, *Fortune* magazine predicted that the Philippines was the next most likely "emerging market" to go "belly up," President Fidel Ramos pointed to fundamental differences between the two countries, noting that the Philippines peso value is determined by "market forces," and that his government would not waste "precious foreign exchange reserves" defending it.

As the following report shows, not only in Mexico City are people whistling, loudly, past the graveyard.