'Filipinos should be the economy's sole determinants and beneficiaries'

Jose "Pepe" Albert gave this interview to EIR *from Manila. Mr. Albert is a member of the organizing committee of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), which invited* EIR*'s Ibero-American Intelligence Director Dennis Small to address Katapat's founding convention in Manila on Nov. 23, 1995. He is the head of the government-sponsored Standardization Committee of the Philippine Retailers Association, and is head of a supermarket chain.*

EIR: Mr. Albert, could you tell us who is represented in the Katapat movement? What is your particular area of interest? And what does the name of the organization suggest as its intent?

Albert: The Kilusan Tungo sa Pambansang Tangkilikan (Katapat) is a movement of Filipino businessmen and professionals concerned about the uncertain directions of the Philippine economy under an open trade regime.

The movement believes in economic nationalism as the solution to the present crisis gripping the economy and society. Economic nationalism means asserting Filipino interests above all else. It means competing as a nation in the turbulent seas of global commerce. It means upgrading and strengthening local industry and agriculture, instead of allowing them to fall by the wayside in the abstract name of trade liberalization. It means inculcating Filipino consumerism. It means a mass educational campaign of "Filipino patronizing Filipino goods and services." It means Filipino labor and capital must work together for industrial peace. It also means opposing anti-Filipino policies. It means the Filipino shall be the sole determinant and principal beneficiary of the national economy.

Katapat is a mass movement spearheaded by the business and professional sectors and with all sectors of society affected by the present economic problems as a result of International Monetary Fund/World Bank-imposed government policies, serving as its mass base. It advocates mutual patronization among Filipino businessmen and a mass educational campaign on Nationalist Consumerism, of patronizing Filipino goods and services over and above foreign products and services. The business sector component is basically composed of manufacturers, retailers, small and medium-size entrepreneurs, and other Filipino service-oriented enterprises. Professionals serve as the theoreticians and analysts, while the workers, peasants, students, urban poor, cooperatives, and organized consumers advocate Nationalist Consumerism or buying Filipino goods and patronizing Filipino business establishments.

EIR: Why did the organizers of Katapat believe now is the time to launch a movement of this sort in the Philippines?

Albert: The organizers firmly believe that government free-trade policies under IMF/World Bank tutelage are finally going to put a nail in the coffin of the Philippine economy. Another crash, which will be inevitable if policies are not changed, will balkanize the country.

EIR: Why did the organizing committee think it appropriate to have a guest speaker, Mr. Small, address the founding convention on the subject of the Mexican peso crisis? Do you and other Katapat supporters think the Philippines is "headed down Mexico way"?

Albert: Mr. Small, being an expert resident economist in Mexico, provided a first-hand account of the results of free trade in all sectors of an underdeveloped economy against the number-one developed country. The winners obviously were the transnational banks.

The government technocrats, from the Central Bank governor [Gabriel Singson] to the finance secretary [Roberto de Ocampo], have been reassuring everyone that the Mexican financial disaster, which necessitated a $50 billion, American-led bailout, will not happen in the Philippines, as the latter's economic growth pattern and policies are somewhat "different" from Mexico. First, they say that the Mexicans kept their peso-dollar rate at a fixed and unsustainable rate for quite some time, while the Philippines' peso-dollar rate, though relatively high, is on a flexible floating basis. Second, the Philippines, unlike Mexico, has a large number of overseas contract workers (OCWs) whose huge dollar remittances make up for trade shortfalls and cushion any abrupt withdrawals of foreign funds from the local capital market.

However, a deeper analysis of the Philippine and Mexican economic situations shows striking similarities, rather than differences, in the economic structures and policies of the two countries. Unless the Ramos administration is able to undertake timely and strategic adjustments in its economic policy regime, the Philippines might become vulnerable to the "Tequila" syndrome.

The truth is that Mexico, until its financial collapse last year, had been some kind of a role model, which the economic technocrats under both the Aquino and Ramos administrations had been emulating. The International Monetary Fund and the World Bank themselves had been exhibiting Mexico as an example of the severely indebted economy, which succeeded in overcoming its debt overhang and economic stagnation through the standard IMF stabilization measures coupled with the World Bank-favored program of structural adjustments. In 1992, at the height of the so-called Mexican economic miracle, the World Bank deliberately made a global pitch for Mexico as an economic model for all heavily indebted countries by inviting the Mexican finance minister as the keynote speaker in its Annual Conference on Development Economics.

It will be recalled that the international foreign debt crisis of the 1980s started with Mexico's inability to service in mid-1982 its massive foreign debt, amounting to about $100 billion. The IMF and the United States "rescued" Mexico from certain insolvency with loans of $3.5 billion and $1.8 billion, respectively. But like the 1983-84 Philippine debt package with the IMF, Mexico had to pay a high price for the IMF rescue program. Its foreign debt service went up to over 45% of its budget (together with the domestic debt servicing requirements, total debt service accounted for about 60% of the federal budget). A draconian belt-tightening and interest-shattering program led to a 3.1% decline in real GNP during the 1982-88 period, resulting in a tremendous increase of joblessness and poverty in the country. From 23 pesos to a dollar in early 1982, the old Mexican peso reached 2,500 to a dollar in the summer of 1989. Real wages and per capita expenditure on health and education fell by more than 50% in the same period.

EIR: At its pre-convention press conference, the Katapat Organizing Committee said that it supports neither British "free-trade" liberal economics, nor Marxist-Leninist economic dogma. Katapat's literature talks about economics at the service of the well-being of the Filipino people. Can you elaborate on this?

Albert: It could be best explained through our general statement that Katapat believes that the Filipino should be the sole determinant and principal beneficiary of the Philippines' economy. We believe in domestic industrialization and an independent and self-reliant economy.

EIR: How has the ratification of the General Agreement on Tariffs and Trade (GATT) accelerated difficulties in the Philippine economy?

Albert: Let me refer you to testimony submitted to our Senate Economic Affairs Committee on Sept. 21, 1994:

"The government stance is also dangerous because, without any clear program of how the Philippines can become a net beneficiary under GATT, wide sectors of the economy easily become vulnerable to foreign competition. GATT competition will erode our agricultural base and further weaken anemic industrial structure. Jobs will be lost. Only the services sector will survive, but mainly because of the nation's continuing and sad dependence on the remittances of its OCW heroes and heroines.

"This scenario is not difficult to imagine. One only has to look at the country's industrial and agricultural performance in the 1980s under the regime of trade liberalization ushered in by the World Bank-assisted 'structural adjustment program.' The employment share of manufacturing went down from 11-12% in the 1970s to 9-10% in the 1980s as a one-sided trade liberalization program wiped out huge sub-sectors of the domestic industry, spawning in the process an unprecedented and prolonged labor unrest. . . .

"The point is that a liberalization of trading rules can only be beneficial to a trading nation if it has goods which the market will buy and if its local industries can withstand the fierce onslaughts of global competition. If it has nothing or very little to trade, then it stands to lose. If its local industry and agriculture are not ready for foreign competition, then the loss becomes double.

"Take the case of [the] Philippine export industries. The leading export industry, garments, is listed as a winner under the MTPDP [President Ramos's Medium Term Philippine Development Program] and even under the GATT-WTO [World Trade Organization]. And yet research shows that the garments industry, which boomed in the 1980s based on relatively cheap Philippine labor, is losing its competitive edge as low-cost producers such as China, Vietnam, and some South Asian countries are now dominating the labor-based end of the industry. Once the quotas are phased out and these countries are admitted to GATT-WTO, the Philippine share in the global trading of garments can only shrink, not expand, unless the country is able to adjust the industry toward the high end, which the government seems to be neglecting at the moment. In the case of the textile industry, it is a foregone conclusion that it is a loser. This is especially true for the old textile mills, whose technical and financial problems are aggravated by the high cost of raw materials, chemicals, and machinery due to the country's past failure to develop its own petrochemical, machine, and cotton industries.

"As pointed out in numerous fora, agriculture is the biggest loser. The National Economic Protectionism Association (NEPA) was one of the first organizations to alert the nation that rice, corn, sugar, coconut, and even vegetables are likely losers under GATT-WTO. These crops are planted in over 90% of Philippine agricultural land. The statistics of the Department of Agriculture that 500,000 new jobs annually shall be created under the GATT-WTO are only paper statistics. And so are the projections on P 60 billion additional gross value added in agriculture annually. Right now, parts of the so-called 'non-traditional crops,' the projected winners under GATT-WTO, are in crisis. In particular, the banana and rubber industries are in an almost comatose stage due to the depressed global prices and the intense competition provided by other producers. Like the projections made by the World Bank economists in 1979-80 that Philippine manufacturing employment would double by the mid-1980s under the structural adjustment program, the Department of Agriculture statistical projections are likely to evaporate once the realities of global trading in agriculture, dominated by the EEC [European Community] and the United States, assert themselves under the GATT-WTO system. . . .

"To sum up, the projected gains in the GATT-WTO are exaggerated, while the losses are palpable. If the government maintains its present posture of following a one-sided reliance on the rules of liberalization, huge sub-sectors of industry and agriculture might even collapse needlessly. The dangers to society are too enormous to imagine."

EIR: What do you think of Mr. Small's comparison of derivatives and other financial speculation to a cancer that is consuming the healthy fabric of the global economy, growing at a rate of 59% per annum?
Albert: We believe that Mr. Small's opinion is correct. Too much money has ballooned into speculative investments and only a trickle goes to productive activities, thus making the world economy stagnate. And the danger of a worldwide financial collapse seems to be imminent. Though there's a need for us to know more about derivatives investments.

EIR: What do you think the impact will be of the Central Bank's opening up the Filipino investment markets to the full range of derivatives trading?
Albert: Not much. The Philippine capital markets are still in their formative stage, but we are still analyzing it deeper.

EIR: Mr. Small reviewed the debt situation in the Philippines, pointing out that in 1980, the Philippines owed $17 billion; by 1993, it had paid $25 billion; and, yet today, owes $38 billion? Do you care to comment on the legitimacy of Philippines debt?
Albert: We think that international usury is a crime against humanity and a scheme of prolonging the exploitation of a weaker nation by the superpowers which control the World Bank/International Monetary Fund.

EIR: Do you agree with Mr. Small's conclusion that the problem is not the Philippines or Mexico per se, but the bankruptcy of the global IMF system?
Albert: In a way, yes, but the subservience of the Philippine and Mexican governments is also to be taken as a major factor.

EIR: What do you think of his proposal that the IMF system must be put into bankruptcy by a combination of sovereign nations acting in the interests of the commonweal of their populations?
Albert: If it is feasible, why not? But it seems to be a long and tedious process that might go beyond realities.

EIR: Included in the conference packet, participants at the Katapat conference received copies of the Guadalajara Manifesto, titled "There Is Life after the Death of the IMF," and the draft emergency bank reorganization legislation submitted to the Mexican Congress by the National Forum in Mexico. Would Katapat be sympathetic to such legislation being introduced in the Philippines?
Albert: Yes, provided that it be tailor-fitted to the Philippine context.

EIR: Does Katapat see itself acting as a link to organizations in other countries likewise concerned about the terrible cost of IMF conditionalities programs?
Albert: Yes, for as long as the leadership of the organizations collectively adopt it as a policy.