The Philippines at 100

Publisher Herman Tiu Laurel chronicles the IMF experiments on the island nation, and asks: When will the IMF colonization end?

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The Philippines is many things to many people. To some it is just a motley collection of islands somewhere in the Pacific, famous for its place in World War II history. Some will still remember it as home once to two American military bases, Clark and Subic. Many will associate it with the rise and fall of the Marcos dynasty, or with the volcanic eruption of the century, Mt. Pinatubo, which lowered global temperature by 1° due to the pyroclastic material it spread over the atmosphere.

In geopolitical terms, it sits at the central point of a major trade route in Asia, situated between the Pacific and the South China Sea. For this reason the Philippines became a major battle area in World War II as the key stepping stone to all points of the region. With the UN Law of the Sea ratified in 1983 extending exclusive economic rights 200 miles from the shores of a country, the Philippine archipelago and its sea territory rival the size of the major countries of the world.

The first experiment in globalization

The Philippines is a country of 72 million, rich in gold and other mineral resources, oil and natural gas in offshore deposits, and geothermal energy supplies. Over 92% of its children obtain primary education. Yet, despite all these resources and being hailed in the 1950s as one of the two emerging tiger economies (the other being Japan), it remains one of the poorest countries in the region. As one eminent nationalist-economist, Alejandro Lichauco, put it in an article published July 21, 1998, "This country has been under IMF-WB supervision for 36 continuous years, and yet it can't even produce a globally competitive bubble gum. What we have created is, after 36 years of adherence to IMF-WB medication, is a bubble economy that has exploded in our faces."

Few people know that the Philippines was the first experiment in the latter day International Monetary Fund-World Bank program of "globalization." In 1962, following the U.S.-CIA-sponsored election victory of seventh President of the Republic of the Philippines, Diosdado Macapagal, the free trade regime was first imposed on a country in this region in exchange for a $150 million loan and an IMF "stabilization" program. That loan has multiplied to $52 billion upon the assumption of office of the 13th President of the Republic, Joseph Estrada.

It's not for lack of independent spirit that the Philippines succumbed to such a long subjugation to foreign economic prescriptions. In 1898, the Philippines was the first Asian nation to establish a republic and declare its independence after fighting a continuous rebellion of more than 350 years against its first colonizer, Spain. This nascent independence was interrupted by over 50 years of American colonization after Spain ceded the territory to the U.S. on Dec. 10, 1898, only six months after the Filipinos declared independence from Madrid. The ratification of the treaty taking the islands from Spain got only one vote more than the required two-thirds majority, reflecting the deep anti-imperialist and anti-"Manifest Destiny" sentiment of the American people.

Independence was re-acquired through "peaceful grant" from the American government in July 1946. The grant of independence was not altruistic, as the war-ravaged Philippines would have been an economic and financial burden to the U.S. government. On the eve of this grant of independence, the U.S. enacted two laws, one of which was the Philippine Rehabilitation Act, stipulating the much-needed war damage and compensation and financial assistance for the Philippines' sacrifice in World War II. The assistance was conditioned on the Philippine acceptance of another law, the Philippine Trade Act, otherwise known as the Bell Trade Act. The latter imposed free trade on the Philippines.

The independent spirit of the Filipinos persisted, alternately revived in the nationalist policies of two Philippine Presidents, Elpidio Quirino and Carlos Garcia, who kept buoying nationalist economic hopes of the Philippines, in the tradition of American nationalist economist Alexander Hamilton. In the 1950s, the Philippines was considered one of the two emerging tigers of the region, as the Philippines established itself as a manufacturing economy. The major component of this economy was the foreign-exchange controls system championed by the two nationalist Philippine

Presidents and carried to its glory in Garcia's Filipino First policy.

In 1962, in a CIA-sponsored election victory, Diosdado Macapagal won over Garcia, and immediately dismantled the foreign-exchange controls under what was known as the "decontrol" program, surrendering all economic sovereignty over its currency and trade. Macapagal devalued the Philippine peso from P 2 to $1 to double that, or P 4 to $1, and borrowed $300 million in one of the earliest IMF-style "stabilization" loans. The Philippines never looked back to the glory days of its manufacturing economy, and saw its foreign debt explode by nuclear proportions, from $300 million in 1962 to $52 billion today in 1998.

The debt trap and Asian financial crisis

The foreign debt is the most crucial factor in determining the state of health of the Philippines economy. To this day, at least 40% of the national budget is devoted to debt service. In recent years, through accounting sleight-of-hand, only about 18% of the national budget is dedicated to debt service. In the 1998 national budget, only around P 120 billion of P 570 billion is allocated for debt service. But the reality is, for example, after the 1986 change from Marcos and during President Cory Aquino's time, debts incurred through the old Central Bank of the Philippines were separated and serviced through a "board of liquidators" in a newly organized Bangko Sentral ng Pilipinas.

The Philippine foreign debt, like all Third World debt, has been repaid three times over through interest payments over 36 years. Yet, every year, the debt principal grows. With the IMF-WB-imposed economic and financial regime, no Philippine government has been able to survive without yearly infusions of today's equivalent of $2 billion loans. Which explains the debt today, put by the IMF at $52 billion. An historic opportunity was missed at the start of the Cory Aquino government in 1986, when the world stood in awe and sympathy for the People Power Revolution that toppled the old regime of Marcos and the financial debacle associated with it. Instead of crusading for debt reduction or condonation, Aquino pledged to "honor all debts" incurred by the previous regimes, no matter how onerous and unproductive.

The Philippine economic crisis reached new heights under Fidel Ramos, as the West Point graduate-turned-politician committed his administration to a full implementation of the IMF's liberalization, deregulation, and privatization regime. Ramos converted the former American military bases to duty-free zones and duty-free shops, and smuggling mushroomed. In the former U.S. naval base, Subic Bay, the end result after six years of this regime was a $500 million net trade deficit. The revenue losses to smuggling are incalculable, as, for example, in the case of cigarettes, where the estimated smuggled volume rose from 400 million cigarettes in 1986 to 16 billion by 1996. Following trade liberalization, Ramos proceeded to reduce import tariffs and shifted tax burdens to consumers through a so-called Comprehensive Tax Reform Program, which came to be known as a "deform" program where direct taxes were changed to more retrogressive indirect taxes.

To tide over the perennial fiscal and economic crises, the Philippines has relied on "export" (it would be more apropos to call it exile) of up to 8 million Filipinos to work overseas in increasingly menial jobs. Estimates of remittances from Overseas Filipino Workers (OFWs, for short) total between $8-12 billion. But, with it, comes AIDS and a generation raised by absentee mothers or fathers, resulting in tremendous social dislocation, aggravating the illegal drugs problem and other social ills. Then, in 1997 the global financial crisis started unravelling in the region, causing the Philippine peso to drop a full 60% in value relative to the U.S. dollar.

The Philippine stock market dropped 50% from its peak of 3,400 points down to 1,700 points in the year since the first major devaluation of the peso began in 1997. GNP projections have declined from 7% to 2.5% for 1998, primarily for an economy that has been lagging by a minimum of 5% in growth annually for at least a decade, compared to the neighboring countries. Since the Asian crisis began, the ranks of the unemployed have swelled to 4.1 million, not counting the underemployed and the self-employed. Inflation shot up to 10.6% from June 1997, and in the last seven months alone, prices of basic goods increased by 19%.

Non-performing loans of the commercial banking system surged to 8.9%, and doubled to P 73.7 billion at the end of 1997 from the previous year's P 34.2 billion. By the end of February 1998, this stood at P 103.32 billion, up 40.2%, and is expected to hit 12% of the total loans in the system. This, despite the Philippine Central Bank's easing of the definition of bad loans, by exempting "all restructured loans fully backed up by collateral." Commercial loan growth dropped. Of 55 commercial banks in the country, Central Bank officials have admitted publicly that only 17 will survive as the Philippine banking crisis turns from bad to worse in the coming months. The adverse impact on Philippine banks from the Asian crisis has been delayed compared to neighboring countries due to its comparatively negative ratings *before* the crisis and, therefore, reduced exposure to offshore dollar loans.

The crisis was compounded by El Niño, which ushered in drought, and with Ramos's adherence to the IMF's preference for promoting high-value crops instead of rice, agriculture contracted by 3.3% in the first quarter of 1998 on top of the contraction in 1997. Manufacturing, which was already contracting by 2% previous to the Asian crisis, has contracted 11.8% between April 1997-1998. Construction, hit by the bursting of the real estate bubble, has contracted by 60% by some accounts. In the first quarter of 1998, vehicle sales, most of which are imported from Japan, South Korea, and the United States, fell by 58%. Wheat imports, much of it from the United States, have declined from 1.35 million tons last year to 1.34 million tons this year, although it had had a natural growth pattern before the crisis. The economic downturn was greatly induced by the fluctuating interest rates that have risen to as high as 40% in the past two years, although this has been tapering off recently.

The centennial Presidential elections

In June of this year, the Philippines celebrated the Centennial of its Independence. It has been a year of pomp and pageantry culminating in the parades and fireworks that were held on the day, simultaneous with the traditional inauguration of a new President. This was also the year of the election of the 13th President for the 12th Republic of the Philippines (the Commonwealth period being an exception). The distinction and honor of being the Centennial President, therefore, is shared by two Presidents, Fidel V. Ramos and his successor to govern for the next six years, Joseph "Erap" Estrada.

On May 11, 1998, elections for the Centennial President pitted nine candidates. The tenth, Imelda Marcos, withdrew at the last minute in favor of Joseph "Erap" Estrada. Fidel V. Ramos could not run again because of the six-year term limits written into the 1987 Constitution. Ramos chose the lackluster and widely disliked House Speaker Jose de Venecia to be his candidate over two other aspirants; Venecia was considered to have a huge advantage, considering the use of government resources and machinery in the campaign. This choice was to become a major strategic error, for Ramos gave up the hugely popular candidate from the Senate, Gloria Macapagal-Arroyo, who was giving Estrada a run for his money, trailing in the popularity polls only by a few points to Estrada's 30% ratings. Ramos's rejection of his military ward and Defense Secretary, Renato de Villa, split the administration party. Arroyo eventually ran for Vice President and won a larger majority than Estrada, while Renato de Villa lost miserably.

Estrada was the early frontrunner in the year-long campaign, but a few major obstacles stood in his way. One was the stand he had taken during the 1991 national debate against the continuance of the American military facilities in the Philippines. Political pundits still believe that no Philippine candidate for Presidency can win without some form of blessing from the American establishment. Likewise, the Philippine business establishment, represented by the exclusive Makati Business Club, was firmly against Estrada for his perceived anti-Makati attitude and overly pro-poor personality.

Estrada's campaign battle cry was *"Erap para sa Mahirap."* The word *erap* is a contraction of the Spanish *compadre,* meaning "partner," to *pare,* and then inverted to "erap." It is a quaint localization coined decades ago, that has since become synonymous with Estrada's public persona. *Mahirap* is Filipino for the poor people, and *"Erap para sa Mahirap"* literally meant: "Estrada for the Poor." Even the upstart rich, such as Filipino-Chinese and native-Filipino businesses, are considered by the Makati Business Club as among the *mahirap*. To remove the opposition, Estrada campaign organizers visited American conservative political bastions in the U.S. and named 40 advisers from the business sector, some of them from the Makati Business Club.

Programs for government, party platform, and economic policies did not figure as prominently in the campaign, as the star quality of the candidates. The movie actor Estrada won with 40% of the vote and a 5.7 million-vote lead over Jose de Venecia, while Gloria Macapagal-Arroyo (a look-alike of the most popular female Filipino singer Nora Aunor) won the Vice Presidential race with a margin of 6.3 million votes over Estrada's running mate, Angara. Among the 12 winning senatorial candidates were two movie stars, two television celebrities, and one basketball star, none of whom stand for any recognizable ideological or programmatic principle. The more substantial winning candidates are Senators Aquilino "Nene" Pimentel, a centrist candidate, and Rodolfo Biazon, a defender of the Republic against the several coup attempts by rightist "putschists" during the Aquino administration.

The 'new' Estrada administration

Upon assuming office on July 1, 1998, President Joseph "Erap" Estrada discovered the first dismaying fact. This government he was inheriting immediately faced a budget deficit of P 26 billion in a budget of P 540 billion. As the first week unfolded, he discovered that this deficit would grow to P 70 billion by the end of 1998, or 20% of the national budget. Just two weeks before the inauguration, when it was already clear that he would be President, the IMF and World Bank announced that they would be withholding $1.2 billion and $500 million of loans respectively until assurances of compliance with the liberalization program were given. Estrada's advisers have been reiterating assurances to the IMF-WB tandem ever since, such as liberalization of Philippine retail trade that will dislocate 500,000 jobs and small-scale entrepreneurs.

Like Cory Aquino and Ramos before him, Estrada has found himself compelled to make obeisance to its foreign debt. Proposals for putting controls on portfolio "hot" investments, such as the equivalents of the U.S. Tobin Tax proposal, have been opposed by the Banker's Association of the Philippines and followed by the Erap economic managers. Likewise, the privatization of 11 major profit-making government assets such as the National Power Corp. and its $500 million share in the hugely profitable electricity distribution company, Meralco. Other assets for disposal are the Philippine National Bank (reportedly offered to George Soros), Philippine National Construction Co. (operating profitable tollways), Philippine National Oil Co., Philippine Phosphate, Philippine Domestic Satellite, and the broadcast companies IBC-13 and RPN 9. These are expected to cover P 29 billion of the budget deficit.

Into the second week of the Estrada administration, the deregulation principle, which began with Aquino and accelerated under Ramos, took its toll on the Filipino consumer once again. Socially sensitive petroleum products were fully deregulated on July 17, which will lead to increases in prices for kerosene, liquefied petroleum gas, and regular gasoline, despite declining world oil prices. Deregulation of the major metropolitan water services were completed under the Ramos administration; the two private water services companies have since petitioned for a 100% rate increase, attributing the need to the currency crisis. Only intense opposition from the public has forestalled the increases.

Two weeks into the Estrada administration, the National Census and Statistics office reported that the top 10% of the nation's families increased their share of the economic pie by 4.5%, further widening the already wide gap between the rich and the poor. These are random samplings of the problems facing the Estrada government over the next six years. They seem to be a mosaic of the same old problems that faced all previous Philippine Presidents. The "new" administration is turning out to look very much like the old administrations.

The Estrada cabinet

The establishment and conservative elements are undoubtedly powerful. Former Congressman Ronaldo Zamora, representing banking, mining, and traditional political interests, holds the position of the Little President, that of Executive Secretary. However, even Zamora has expressed opposition to further liberalization of the agricultural sector seeing how the policy has punished Filipino farmers. Banker Edgardo Espiritu is Secretary of the Department of Finance, controlling finance, tax, and customs, and has publicly vowed to stay within IMF-WB prescriptions. Dr. Benjamin Diokno, a neo-liberal economist from the University of the Philippines, who already proposed in 1996 to devalue the peso, was named Budget Secretary. Another neo-liberal and monetarist economist from the same school, Dr. Felipe Medalla, who championed the IMF tariff liberalization and tax reforms, was appointed to head the National Economic Development Authority, in charge of economic policy. For Bangko Sentral ng Pilipinas, the old Governor, Gabriel Singson, was retained, apparently at the behest of the Bankers' Association of the Philippines and the IMF.

At the Secretary of Trade and Industry, Jose Pardo, 7-Eleven convenience store Philippine franchisee, was appointed. For the Secretary of Environment and Natural Resources, a lawyer, who has represented loggers, former Congressman Antonio Cerilles was named. For the all-important Secretary of Agriculture, where most of the government resources will be directed in the coming years, a nominee from the Angara faction, former Sen. William Dar, was appointed. Angara was Estrada's losing Vice Presidential candidate, and, since Marcos's time, legal counsel for most transnational cor-

Philippine journal features EIR, LaRouche

A new monthly theoretical journal, *The Independent Review,* was launched in the Philippines in February 1998; the editor and publisher is Herman Tiu Laurel, author of the accompanying article.

The inaugural issue's cover sports a photo of the British b'wanas' slaughter of Asian tigers, with the headline: "The Slaughter of Tiger Economies." The editor's commentary, "Casting Away Our Blinders," notes that while most people were "taken aback" when the Asia crisis hit last year, "a few were not." Among these were the members of "Katapat, a Filipino nationalist business group that has been warning of the impending crisis as a result of the flurry of hurried liberalization of the entire economy, particularly the currency." In its July 23, 1997 "Declaration of Economic Sovereignty," Katapat warned of the coming disintegration of the world financial system, as a result of "the explosion of speculative cancer," notably the derivatives market.

"Halfway around the globe," the editor continues, "an economist-philosopher by the name of Lyndon LaRouche continued to work on a campaign begun in 1975, to drastically reform the financial system that rose from the ashes of the old Bretton Woods Agreement for a fixed exchange rate regime."

The magazine introduces its readers to LaRouche's "triple curve" schematic of a typical collapse function, showing the hyperbolic growth of financial and monetary aggregates, counterposed to the plunging of physical-economic production. The article concludes with a discussion of "the battle for the world's mind," identifying the sides of the war: the "philosophies of Aristotelian 'accident,' Darwinian 'survival of the fittest,' and Adam Smith's 'invisible hand' against the philosophies of Plato, Confucius, Leibniz, Gauss, and Hamilton. . . ."

The magazine's April issue includes an interview with LaRouche, titled "A Leader Should Face His People's Greatest Fear."

The contributions are by *EIR* journalists William Engdahl, Marjorie Mazel Hecht, John Hoefle, and Colin Lowry, as well as by members of the Filipino intellectual elite.

porations in the Philippines. President Estrada has concurrently assumed the post of Secretary of the Department of Interior and Local Government in charge of all local officials and the Philippine National Police.

Television personality Orlando Mercado, a former Senator with a populist bent, who voted against the renewal of the U.S. bases, but with no distinct political ideology, and Estrada's Presidential campaign manager, is Secretary of National Defense. One of his first initiatives has been to reverse himself on the issue of U.S. military presence with regard to the Visiting Forces Agreement (VFA), which, among other issues, would lead the government to possible violation of the Philippine Constitution's provision banning the presence of any form of nuclear armaments on Philippine territory. As part of the VFA, joint Philippine-U.S. military exercises would mean entry of U.S. naval vessels, which do not allow inspection and carry a policy to neither confirm nor deny the presence of nuclear weapons on board. Mercado, however, will reduce the risk of military careerism rising in the department. The post of National Security Adviser, however, went to former military Vice-Chief of Staff and Ramos's Executive Secretary, Alexander Aguirre.

As one eminent nationalist-economist, Alejandro Lichauco, said of the International Monetary Fund-World Bank prescriptions: "This country has been under IMF-WB supervision for 36 continuous years, and yet it can't even produce a globally competitive bubble gum. What we have created is, after 36 years of adherence to IMF-WB medication, is a bubble economy that has exploded in our faces."

One is tempted to identify the hopes for a change in the administration's policies by pointing out certain non-establishment personalities appointed to the cabinet. Foremost among these is Horacio "Boy" Morales. A former Marcos technocrat in charge of the training school for government bureaucrats called the Development Academy of the Philippines, Morales turned communist and fought the Marcos regime. He was eventually arrested and imprisoned for subversion. Prior to Marcos, Morales was involved in rural development, a task he returned to upon being released from prison, which earned him the leadership of the "popular" faction of the leftist National Democratic Front.

The faction became known as the "popular democrats," identified as a reformist wing of the radical left, which eventually accepted such principles as "civil society." Much of the hope for reform in the Estrada movement springs from Morales's presence in the cabinet as Secretary of the Department of Agrarian Reform. He is expected to give more impetus to the land reform program, which faces tough opposition from the conservative business and landlord class elements in Estrada's own party.

Others are: Dr. Leonor Briones, an economics professor at the University of the Philippines (UP) and former leader of the anti-IMF Freedom from Debt Coalition, who heads the Treasury Department. Unlike the U.S. Treasury Secretary, who is the most powerful figure in U.S. government finance, almost co-equal to the U.S. Federal Reserve Chairman, the Treasury Department in the Philippines is there just to keep and disburse funds. Briones will have no official policy role. Dr. Karina David, another activist, was appointed head of the Housing and Urban Development Coordinating Council, the superbody for government housing programs. Ex-national democratic priest Edicio de la Torre has been appointed head for the TESDA, a government technical training center.

It is too early to say if these appointments will make any serious difference in the conduct of the new Estrada administration from the previous Philippine governments. Past administrations since Marcos's time also had token appointments from the ranks of reformists and reformed revolutionaries. The former head of the New People's Army, Bernabe Buscayno, had joined the Ramos government and the former head of the radical youth organization Kabataan Makabayan (Nationalist Youth) had joined government during Marcos's time. What the appointment of the likes of Briones and others indicates is the potential for a shift in financial and economic policies in the future, if opportunities arise. At the very least, some appointees have been trying to present the LaRouche analysis of the ongoing global financial debacle to members of the Estrada government.

Estrada's 12-point government program

While it is difficult to make any clear distinction between the policies of the past and the new administration, the latter has attempted to present a program of government for its first 100 days to help identify its initiatives. To quote the salient points directly from the program: "1) immediately restore confidence at home and abroad in our commitment and capability to continue the basic free market policies of the outgoing administration; 2) reassure the poor that they will no longer be marginalized from economic and political life, through sustainable social safety net programs and responsive governance; 3) order the immediate arrest of the most notorious criminals and drug pushers; 4) strengthen the presence of the

Office of the President in each of the three major regions (Luzon, Visayas, and Mindanao); 5) ask Congress to restore the Presidential power to reorganize the entire national government; 6) ask Comelec to computerize its entire operations for the elections of 2001; 7) create a Presidential Commission on Constitutional Reforms that will identify other necessary government reforms for which we must amend our Constitution; 8) will work with Congress to scrap the pork barrel; 9) order the immediate privatization of the largest government corporations; 10) reduce market interest rates in order to stimulate new investment from domestic and foreign sources; 11) keep inflation rate below 5%; 12) restore the market's confidence in our ability to manage the budget deficit."

A point-by-point review of these salient features points to an expected failure by the new administration. Basic "free market" policies are continuing to undermine not only the Philippines financial and economic system, but the global system itself. The budget deficit precludes any success for improved social safety nets, since there will be little or no money for it. Many are already alarmed that the amendments to the Constitution being identified at this early stage refer to lifting the principle of "protection of national patrimony," thereby opening the Philippine economy to foreign raiders. The withdrawal of the "pork barrel" will immediately withdraw resources from the grassroots, and along with the "privatization" of state assets, it is actually compelled by the budget deficits.

The reduction of interest rates will likely fail when faced with currency instability and speculation, while the 5% inflation target of point 11 has already been defeated by the 10.8% surge in inflation for the first half of 1998. Finally, the budget deficit is going to be filled only by the infusion of $2 billion new loans and a host of new taxes that will only increase the burden on the Filipino. The other points we did not touch on are motherhood statements that need not be tackled.

One fundamental issue, which other ASEAN states are tackling, but on which we find nothing in the Estrada program, is the economic foreign policy initiative. At the recent Bangkok "Can Thailand Be Saved?" conference, Chulalongkorn University economist Somkiat Osathanugrah took the starting point on Thailand's problem as the "contagion model," and saw the need for Thailand to pursue a new foreign policy thrust, including great infrastructure projects to build out of the current depression. Such a thrust is aimed at new arrangements in the global financial and economic system that would help resolve internal ASEAN economic problems, what has been called by some as "new architecture," and what the LaRouche movement calls the New Bretton Woods. There is no such economic and foreign policy vision in Estrada's program. Without that, we see little likelihood of change in Philippine governance to more beneficial directions. However, latest indications from the Presidential office, Malacañang, are that all options remain open.

Pakistan struggles to avoid debt default

by Ramtanu Maitra

Recent statements by Pakistan's Finance Minister Sartaj Aziz indicate that the country is on the verge of a financial collapse. With a meager $600 million in its foreign exchange reserves, fears of a debt repayment default are no longer imaginary. While the Nawaz Sharif government scrounges desperately to keep the nation financially afloat, rumors are flying thick and fast that it is the U.S. sanctions, imposed following the late-May nuclear tests by Pakistan, that has caused the crisis. The facts, however, are different.

Pakistan was in dire financial straits long before it tested its nuclear devices in the Chagai Hills of Baluchistan. The actual origin of the present financial crisis can be traced back to the policies adopted in 1988, when Pakistan agreed to the two-year structural adjustment program of the International Monetary Fund (IMF). The agreement included cutting down deficit financing by the government—a policy enforced by the IMF which unerringly leads to reduced spending in the physical infrastructure and social sectors—and paring expenditure for development. This is the price the IMF asked for ensuring that international bankers got paid during Pakistan's earlier debt repayment crisis.

In fact, over recent years, Pakistan has signed 16 loan arrangements with the IMF, though only five have been successfully completed. The other 11 were abandoned by the governments of the day as soon as Pakistan's financial situation got a tad better, because the administrators found that the IMF conditionalities were politically and socially too harsh to live with. In truth, Pakistan's deep and long-term dependence on the IMF has made its economy thoroughly debt-ridden. And, at the same time, stripped of growth potential, the country has become highly vulnerable to all fiscal and balance of payments crises.

Who killed Pakistan's economy?

In August 1990, Pakistan was facing a serious financial crunch. By Oct. 15, its foreign exchange reserves had fallen to $100 million, which represented only two days' imports, while $240 million of short-term market loans were up for payment. The IMF was holding back $244 million, the last tranche of a structural adjustment loan, demanding an increase in oil and gas prices and a hike in Pakistan's electricity tariff, among other things, to reduce the country's fiscal defi-