

To say that the Marcos government had been backed into a corner by its creditors, led by the IMF and the World Bank, is an understatement. Commentators on the IMF loan agreement express concern that the money may not come through fast enough to counter the delayed effect of this import collapse by the turn of the new year, raising the specter of mass layoffs and explosive labor unrest in an already tense political climate.

The damage becomes permanent

The tragedy of paying the IMF's price is seen in the steady erosion of the Philippines' productive capacity over the past two to three years in two areas: First, the IMF's and World Bank's efforts to break control of the raw-materials-producing industries—the backbone of the economy—out of the hands of family interests, and second, breaking the back of the 11-project development program President Marcos had launched in late 1979.

In the language of the international banks, breaking the families' control over the sugar, copper mining, coconut, and other raw materials industries is called ending Marcos's porkbarrels to his "cronies." In 1981 and 1982, the government repeatedly bailed out and then consolidated under direct government control private-sector financial concerns which had become overextended, due to short-term borrowing to compensate for the collapse of international commodity prices, as well as speculative ventures. The IMF and World Bank warned Marcos that this would have to stop, and the conditions for the IMF standby credits negotiated this October included clauses calling for an end to subsidies to public concerns and an end to government backing for private-sector loans.

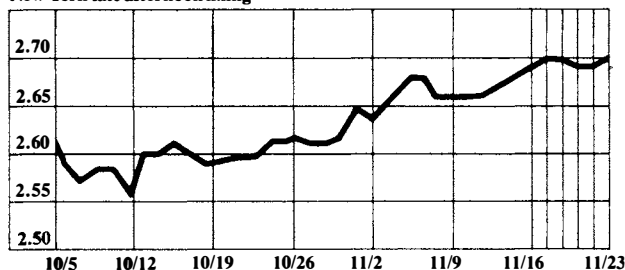
Of Marcos's 11 development projects, by the end of 1982, a proposed petrochemical complex and aluminum smelter had been indefinitely postponed. New timetables were being set for a paper mill and heavy engineering plant; targets for an integrated steelmaking and gasohol manufacturing facility had been scaled down. Construction of a proposed medium- to high-horsepower diesel engine plant and a cement plant had not been started. Out of 11 projects slated for completion in the early 1980s, only a copper smelter, phosphatic fertilizer plant and a low- to medium-horsepower diesel engine plant were on schedule.

Zero growth is the IMF's demand for the Philippines in 1984, and for the time being the government appears willing to meet the banks' demands in the false belief that this is the only road to stability, a stability ultimately premised on the recovery of the U.S. economy. The last 18 months' experience of Mexico, Brazil, and Argentina shows that this is worse than wishful thinking. There is another alternative: the Operation Juárez proposal of *EIR* founder Lyndon LaRouche, which calls for the conversion of the nations' debt into long-term, low-interest credits for industrial development. It is high time Marcos and other Third World leaders explored this alternative.

Currency Rates

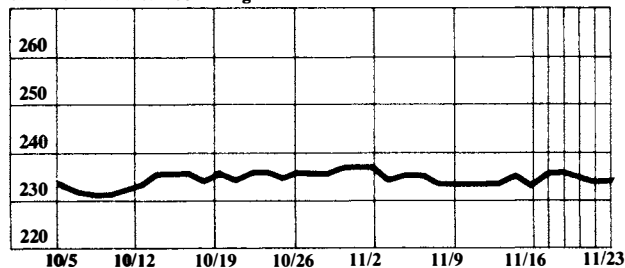
The dollar in deutschemarks

New York late afternoon fixing



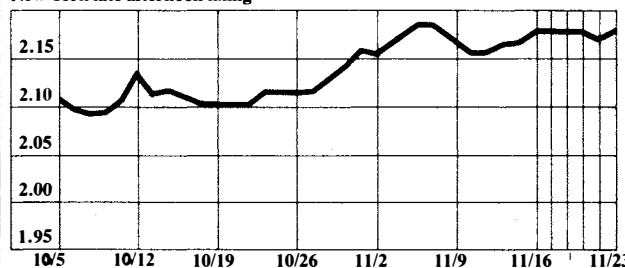
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

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The British pound in dollars

New York late afternoon fixing

