

up the Central Bank. . . . Outside institutions like the IMF and World Bank have encouraged them to do so; we certainly believe that the Central Bank's finances need to be cleaned up . . . and also straighten out some of the legislation they had that related to the Central Bank," the banker said.

"You take off these funny bits of debt that they've got, and just put them in the national government; it doesn't matter how you do it. The national government needs to pay them off. You shouldn't have the Central Bank being concerned with them.

"It is a scheme to improve the strength of the institution through a number of changes of how it is run," the source said, laughing at a suit once filed against a governor of the Central Bank for raising interest rates. "Obviously this is ridiculous," the banker said, and must never again be permitted to occur.

In particular, the IMF and World Bank want to create a situation where the new CMA will be happy to let the peso drop like a stone on the "free market." "One of the problems of the past is because the PCB had a high amount of foreign debt, the PCB's own losses would increase if they allowed the peso to fall. Because the things they held were basically in dollars, if the peso fell, the peso cost of servicing these dollar liabilities rose, which meant the Central Bank had an incentive, as did the rest of the government, to not allow the peso to depreciate. And having a peso that is too high, of course, is very bad for trade and exports."

Current status

During early 1993, both the House and Senate split up the CMA bill, which the World Bank official complains is a delaying tactic. "They have split the bill in two pieces: one to establish the Central Monetary Authority as a shell, and a second to set up a commission to study restructuring the PCB," the source said. Both bills to create the new CMA become effective only upon actual restructuring of the old PCB; that is, they would establish the CMA, but it would have no power until the commission finished investigating the old PCB. As of the end February, even the forms of these bills are not final.

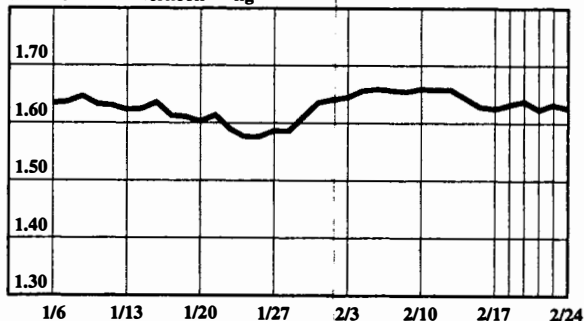
The IMF, the official said, wants the package passed by the end of March as an IMF conditionality for getting more cash, when Manila's current IMF program runs out.

Asked about the possibility of Filipino nationalists in the Congress using the move to get control of the Central Bank, the World Bank official said that that would be "messy," but that there was very little "danger" of such an event, as Filipino congressional debate is mostly "show." "Filipino politics," the source laughed, is just "a caricature of bad U.S. politics. . . . They say all kinds of things, outrageous things but they don't mean anything; it's for public consumption. . . . It doesn't worry us." Behind the scenes, the banker gloated, the Ramos administration is working to produce a perfectly reasonable bill "with which we're quite happy."

Currency Rates

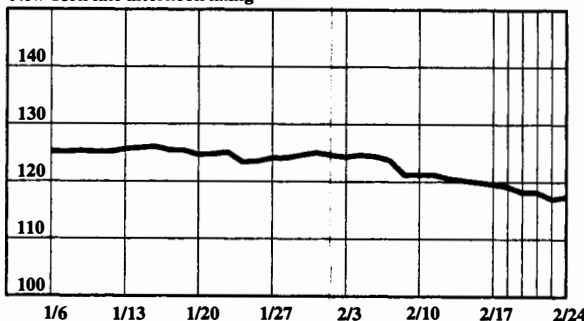
The dollar in deutschemarks

New York late afternoon fixing



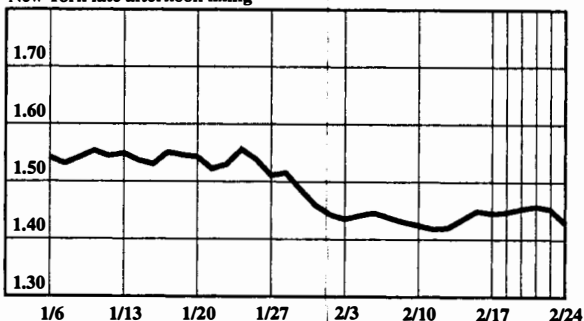
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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